East Jefferson General Hospital

Financial Report
December 31, 2011

Contents

Independent Auditor's Report

To the Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

We have audited the accompanying basic financial statements of East Jefferson General Hospital (Organization) (Jefferson Parish Hospital Service District No. 2, is a component unit of Jefferson Parish, Louisiana) as of and for the years ended December 31, 2011 and 2010 as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these basic financial statements based on our audits. We did not audit East Jefferson Radiation Oncology, LLC for the year ended December 31, 2010, which represented 1.4% of the assets and 3.3% of the revenue of the financial statements. We did not audit East Jefferson Ambulatory Surgery Center, LLC for the years ended December 31, 2011 and 2010, which represents 0.6% and 0.7% of the assets and 1.6% and 1.6% of the revenue, respectively, of the financial statements. We did not audit the pension trust fund statements of East Jefferson General Hospital for the years ended December 31, 2011 and 2010 which represent 100% of the assets and additions of the pension trust fund. Those financial statements were audited by other independent auditors whose report thereon has been furnished to us and, our opinion on the basic financial statements is based solely upon the reports of the other independent auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of East Jefferson Ambulatory Surgery Center, LLC, PET Scan Center of East Jefferson, LLC, East Jefferson Radiation Oncology, LLC, East Jefferson Physicians Group, LLC, East Jefferson Physician Network, LLC, East Jefferson General Surgery Co-Management Company, LLC, East Jefferson Orthopedic Co-Management Company, LLC, and Gulf South Quality Network, LLC were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of East Jefferson General Hospital, a component unit of Jefferson Parish, Louisiana, as of December 31, 2011 and 2010, and the changes in their financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports for the years ended December 31, 2011 and 2010 dated April 30, 2012 and April 28, 2011, respectively, on our consideration of the East Jefferson General Hospital's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9, the Retirement Plan schedule of funding progress on page 51 and the Other Postemployment Benefit Plan schedule of funding progress on Page 52 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The combining and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The accompanying Hospital statistics, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
April 30, 2012

LaPorte

A Professional Accounting Corporation

Metairie, Louisiana
April 30, 2012

Management's discussion and analysis of East Jefferson General Hospital's (EJGH), Jefferson Parish Hospital Service District No. 2, a component of Jefferson Parish, Louisiana (the Organization) financial performance provides an overall review of the Organization's activities for the years ended December 31, 2011 and 2010. The intent of this discussion is to provide an overview of the Organization's performance for the years and should be read in conjunction with the Organization's basic financial statements and notes thereto.

EJGH operates a 420-bed general acute care hospital and physician practices located in Metairie, Louisiana. EJGH serves the citizens of the greater New Orleans area and particularly residents of the East Bank of Jefferson Parish.

The basic financial statements also include the following component units: PET Scan Center of East Jefferson, LLC, which operates a PET Scan facility; East Jefferson Physician Network, LLC which was used to acquire several physician practices; East Jefferson Ambulatory Surgery Center, LLC, which operates an ambulatory surgery center; East Jefferson Radiation Oncology, LLC, which operates a radiation oncology center; East Jefferson Physicians Group, LLC, which operates various clinic practices, and East Jefferson General Surgery Co-Management Company, LLC, East Jefferson Orthopedic Co-Management Company, LLC and Gulf South Quality Network, LLC.

Financial Highlights

The assets of the Organization exceeded its liabilities by $295,265,469 and $292,806,632 (net assets) as of December 31, 2011 and 2010, respectively.

The Organization's total assets increased by $40,818,427 or 8.4% from December 31, 2010 and decreased by $5,898,247 or 1.2% from December 31, 2009.

The Organization's total liabilities increased by $38,359,590 or 19.9% from December 31, 2010 and decreased $70,962,001 or 26.9% from December 31, 2009.

Overview of Financial Statements

The audited financial statements include the basic financial statements: Balance Sheets, Statements of Revenue, Expenses and Changes in Net Assets, and Statements of Cash Flows plus the Notes to the Basic Financial Statements.

Our financial position is measured in terms of resources (assets) we own and obligations (liabilities) we owe at a given date. This information is reported in the Balance Sheets, which reflects the Organization's assets in relation to its debts to bondholders, suppliers, employees and other creditors. The excess of our assets over our liabilities is reported as Net Assets.

Information regarding the results from operations during the year is reported in the Statement of Revenue, Expenses and Changes in Net Assets. This statement shows how much our net assets increased or decreased during the year as a result of our operations, nonoperating activities and other changes.

The Statement of Cash Flows discloses the flow of cash resources into and out of the Organization during the year. It identifies all cash received during the year from operating activities, contributions and other sources, and how we applied those funds (for example, payment of expenses, repayment of debt, purchases of new property and equipment, additions and deletions to the investment accounts and transfers to related entities).

The Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Basic Financial Statements.

Condensed Statements of Revenue, Expenses and Changes in Net Assets

A summary version of the Statements of Revenue, Expenses and Changes in Net Assets for the years ended December 31, 2011, 2010 and 2009 follows:

	Year Ended December 31,		
	2011	2010	2009
	(Dollars in Thousands)		
Net patient revenue	$ 341,978	$ 364,259	$ 348,487
Other operating revenue	14,784	5,933	4,942
Rental income from leases	3,184	4,057	4,513
Total operating revenue	359,946	374,249	357,942
Nonoperating revenue	10,894	74,507	3,745
Total revenue	370,840	448,756	361,687
Expenses:			
Salaries, wages and benefits	172,306	173,333	173,370
Purchased services and other	110,005	118,547	104,241
Supplies	50,813	56,261	55,493
Depreciation and amortization	23,829	24,311	24,720
Interest	7,605	7,874	8,946
Total operating expenses	364,558	380,326	366,770
Nonoperating expenses	1,057	179	2,419
Total expenses	365,615	380,505	369,189
Excess of revenue over (under) expenses before transfers and minority interest	5,225	68,251	(7,502)
Transfers to Jefferson Parish	(1,548)	(1,631)	(1,194)
Minority interest in net (income) of equity interests	(1,218)	(1,556)	(1,359)
Change in net assets	2,459	65,064	(10,055)
Net assets:			
Beginning	292,807	227,743	237,798
Ending	$ 295,266	$ 292,807	$ 227,743

Operations

Year Ended December 31, 2011: Net patient revenue decreased $22,281,000 due, in part, to a decrease in admissions of 6.0%. The majority of the decrease in admissions was seen in the Neurosurgical and Orthopedic service lines and is directly attributed to the opening of a competing hospital in the first half of 2011. The decrease in inpatient volume was mitigated by an increase in outpatient volumes. Hospital outpatient charges increased 4.7% from 2010.

Other operating revenue increased $8,851,000 due, in part, to the Organization's participation in the State's Upper Payment Limit (UPL) programs.

Total operating expenses decreased by $15,768,000. Salaries, wages and benefits decreased $1,027,000. This decrease is the result of staffing adjustments with lower inpatient volume coupled with the Hospital's reorganization implemented in September 2010. The decrease in salaries, wages and benefits was partially offset by an increase in the number of physicians employed by EJPG. Purchased services and other expenses were reduced in connection with the Hospital's participation in the state's Low Income and Needy Care Collaboration Agreement (LINCCA) program. Supplies expense decreased $5,448,000 with lower inpatient volumes.

Year Ended December 31, 2010: Increased net patient revenue of $15,772,000 was the result, in part, of annual admissions growth of 3.6%. Significant growth was seen in admissions from primary care (Family Practice and Internal Medicine) specialties. The Hospitals strategic focus on growth through increased outpatient services was realized as charges from outpatient ancillary services grew 4.3%. In addition, net patient revenue has been positively impacted by management's focus on improving contracts with third-party payors.

Nonoperating revenue of $74,507,000 includes the Hospital's successful effort to obtain forgiveness of the Federal Community Disaster Loan and associated accrued interest expense.

Total operating expenses increased by $13,556,000. The majority of this increase is related to an increase in purchased services and other expense of $14,306,000. Drug and pharmaceutical costs increased $3,708,000 (16.2%). Computer system related expenses increased $6,466,000 due, in part, to costs related to termination of the contract with Phoenix Healthcare.

Salaries, wages and benefits expenses decreased $37,000 due, in part, to a reorganization implemented in September 2010. Savings from this reorganization in 2010 were $631,000 with projected annual savings of approximately $5,000,000.

East Jefferson General Hospital

Management's Discussion and Analysis
Years Ended December 31, 2011 and 2010

Condensed Balance Sheets

Condensed versions of the Balance Sheets as of December 31, 2011, 2010 and 2009 follow:

	December 31,		
	2011	2010	2009
	(Dollars in Thousands)		
Assets:			
Current assets	$ 187,388	$ 128,803	$ 125,410
Assets limited as to use, noncurrent	116,748	141,622	146,728
Capital assets, net	211,190	204,597	210,864
Other assets	10,786	10,271	8,190
Total assets	$ 526,112	$ 485,293	$ 491,192
Liabilities:			
Current liabilities	$ 49,294	$ 51,655	$ 43,892
Long-term debt	172,335	128,779	198,772
Retirement benefits, noncurrent	1,195	1,063	899
Other liabilities, noncurrent	8,022	10,990	19,886
Total liabilities	$ 230,846	$ 192,487	$ 263,449
Net Assets:			
Invested in capital assets, net of related debt	$ 30,834	$ 66,851	$ 67,719
Restricted under bond indenture	87,032	30,090	27,569
Unrestricted	177,400	195,866	132,455
Total net assets	$ 295,266	$ 292,807	$ 227,743

Long-term debt consists of revenue bonds issued in 2011 (series 1998 and 1993 were refunded in current year), a Capital lease (EJRO), and notes payable to the bank (EJGH and EJASC). The Organization continues to make all annual and semi-annual debt service payments in compliance with these bond indentures. There are no current plans to issue additional debt or defease any existing debt, other than already in place as of December 31, 2011. Please see the Notes to Basic Financial Statements for additional information.

December 31, 2011: Current assets increased by $58,585,000 and long-term debt increased by $43,556,000 due the issuance of the Revenue and Refunding Bonds, Series 2011.

December 31, 2010: Current assets increased $3,393,000 due to an increase in patient receivables offset by decreases in short-term investments. Unrestricted net assets increased by $63,411,000 primarily due to the forgiveness of the Community Disaster Loan.

Condensed Statements of Cash Flows

	Year Ended December 31,		
	2011	2010	2009
	(Dollars in Thousands)		
Cash provided by operating activities	$ 29,264	$ 23,435	$ 20,894
Cash provided by (used in) capital and related financing activities	1,462	(28,944)	(28,556)
Cash (used in) noncapital financing activities	(1,505)	(4,157)	(2,558)
Cash provided by investing activities	(30,768)	10,949	3,930
Net increase (decrease) in cash	(1,547)	1,283	(6,290)
Cash and cash equivalents:			
Beginning	11,588	10,305	16,595
Ending	$ 10,041	$ 11,588	$ 10,305

Year Ended December 31, 2011: Cash provided by operating activities increased by $5,829,000 over the prior year. Cash and cash equivalents decreased by $1,547,000 over the prior year.

Year Ended December 31, 2010: Cash provided by operating activities increased by $2,541,000 over the prior year. Cash and cash equivalents increased by $1,283,000 over the prior year.

Capital Assets

December 31, 2011: As of December 31, 2011, the Organization had $211,190,169 invested in capital assets. Capital expenditures in 2011 were approximately $6,593,000 more than depreciation expense resulting in an increase in capital assets from 2010 to 2011.

December 31, 2010: As of December 31, 2010 the Organization had $204,596,714 invested in capital assets. Capital expenditures in 2010 were approximately $6,200,000 less than depreciation expense resulting in a decrease of capital assets from 2009 to 2010.

	December 31,		
	2011	2010	2009
	(Dollars in Thousands)		
Capital assets not being depreciated:			
Land	$ 17,554	$ 17,674	$ 12,873
Construction in progress	7,284	4,351	3,928
Capital assets net of depreciation:			
Land improvements	1,273	1,444	1,930
Buildings	117,705	120,961	125,008
Fixed equipment	30,094	25,613	29,174
Major movable equipment	37,279	34,553	37,950
Minor equipment	1	1	1
Total capital assets, net	$ 211,190	$ 204,597	$ 210,864

Additional information on the Organization's capital assets can be found in Note 6 of this report.

Long-Term Debt

Long-term debt consists of one revenue bond issue, described in more detail in the Notes to Basic Financial Statements. The principal balance on the outstanding bonds was $170,000,000, $125,990,000 and $129,855,000 as of December 31, 2011, 2010 and 2009, respectively. The increase in 2011 is attributable to the issuance of the Revenue and Refunding Bonds, Series 2011.

Long-term debt also consists of notes payable to the bank of $3,671,000 and capital lease obligations of $8,521,000.

Additional information on the Organization's long-term debt can be found in Note 7 of this report.

Economic Factors

Year Ended December 31, 2011: The New Orleans Metropolitan Service Area is projected to have flat job growth in 2012 and a loss of 600 (-0.1%) jobs in 2013. Over the next two years, economic growth will be offset by the loss of 4,500 jobs at Avondale Shipyards, the loss of $1.3 billion of British Petroleum oil spill clean-up funds and a $2.5 billion reduction in construction spending.

The Organization continues to focus on improvement with following strategic initiatives developed in the second half of 2009:

- Hospital/Physician alignment,
- Growth in high-margin services,
- Net patient service revenue growth through revenue cycle improvements,
- Improved quality,
- Improved constituent satisfaction,
- Improved productivity, and
- Reduced cost.

Significant progress has been made over the past two years within each of these initiatives. The organization has made a significant investment in the Gulf South Quality Network to enhance the hospitals quality initiatives and drive clinical integration between the Hospital and Physicians. In addition, the Organization has experienced improved productivity and cost reductions through its Performance Improvement Program (PIP) initiatives.

During 2011 East Jefferson General Hospital, West Jefferson Medical Center and Jefferson Parish Health and Hospital Service District applied for and where granted a Certificate of Public Advantage (COPA). The COPA was issued by the Louisiana Department of Justice, Office of the Attorney General and allows for sharing the following functions:

- Limited finance functions,
- Information technology,
- Human resources,
- Materials management, and
- Managed care contracting.

During 2011, the Organization cooperated in negotiating contracts for biomedical, transcription and collections services.

Year Ended December 31, 2010: Post Katrina construction spending and Go Zone funding continue to bolster the economy of the New Orleans Metropolitan Service Area. Growth in the region will continue to be fed by increased construction spending. Over 2011-2012, 8,300 new jobs are projected to be added with several new firms coming to the region and stabilization of the convention/tourism industry.

While the uncertainty of Federal Healthcare Reform Legislation continues, Management continues to prepare through the strategies identified and initiated in 2009.

Financial Information Contact

The Organization's basic financial statements are designed to provide a general overview of the Organization's finances for all those with an interest in the Organization's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to East Jefferson General Hospital.

East Jefferson General Hospital

Balance Sheets
December 31, 2011 and 2010

Assets	**2011**	2010
Current Assets:		
Cash and cash equivalents	**$ 10,041,128**	$ 8,507,703
Short-term investments	**112,437,464**	49,972,612
Receivables:		
Patients, net	**42,022,328**	43,065,654
Other	**1,842,420**	1,393,325
Assets limited as to use, current portion	**8,173,788**	10,803,602
Inventories	**7,657,079**	7,569,556
Prepaid expenses	**5,214,084**	7,490,698
Total current assets	**187,388,291**	128,803,150
Noncurrent Assets:		
Assets limited as to use:		
Under bond indenture	**87,031,403**	30,090,486
Board-designated for strategic initiatives	**37,889,691**	122,334,979
	124,921,094	152,425,465
Less portion required for current liabilities	**8,173,788**	10,803,602
	116,747,306	141,621,863
Capital assets:		
Nondepreciable	**24,837,674**	22,025,079
Depreciable, net	**186,352,495**	182,571,635
	211,190,169	204,596,714
Debt issuance costs, net of accumulated amortization	**4,407,896**	2,057,472
Other assets	**4,727,389**	5,531,237
Deferred compensation and life insurance	**1,650,651**	2,682,839
	10,785,936	10,271,548
Total noncurrent assets	**338,723,411**	356,490,125
	$ 526,111,702	$ 485,293,275

See Notes to Basic Financial Statements.

Liabilities and Net Assets		**2011**		2010
Current Liabilities:				
Current maturities of long-term debt	**$**	**8,021,188**	$	8,967,207
Accounts payable		**15,942,408**		14,046,185
Accrued expenses:				
Salaries and wages		**3,740,707**		4,645,819
Paid leave		**3,938,217**		4,353,113
Health insurance claims		**1,643,626**		2,069,947
Interest		**1,746,498**		3,018,142
Estimated third-party payor settlements		**2,410,775**		2,701,436
Other		**11,850,872**		11,853,433
Total current liabilities		**49,294,291**		51,655,282
Noncurrent Liabilities:				
Deferred compensation and executive benefits		**1,436,200**		1,608,177
Retirement benefits		**1,195,517**		1,062,572
Estimated self-insurance reserves		**4,129,955**		4,252,770
Long-term debt, less current maturities		**172,334,840**		128,778,617
Other accrued expenses		**1,900,008**		1,661,000
Interest rate swap agreements		**-**		3,092,918
Minority interest in equity interests		**555,422**		375,307
Total noncurrent liabilities		**181,551,942**		140,831,361
Total liabilities		**230,846,233**		192,486,643
Commitments and Contingencies				
Net Assets:				
Invested in capital assets, net of related debt		**30,834,141**		66,850,890
Restricted under bond indenture		**87,031,403**		30,090,486
Unrestricted		**177,399,925**		195,865,256
		295,265,469		292,806,632
	$	**526,111,702**	$	485,293,275

East Jefferson General Hospital

Statements of Revenue, Expenses and Changes in Net Assets
Years Ended December 31, 2011 and 2010

	2011	2010
Operating revenue:		
Net patient service revenue	$ 341,978,230	$ 364,258,848
Other operating revenue	14,783,847	5,933,681
Rental income from leases	3,183,734	4,056,858
Total operating revenue	359,945,811	374,249,387
Operating expenses:		
Salaries, wages and benefits	172,305,609	173,332,800
Purchased services and other	110,005,781	118,546,840
Supplies	50,812,986	56,260,810
Depreciation and amortization	23,829,371	24,311,514
Interest	7,604,658	7,874,114
Total operating expenses	364,558,405	380,326,078
Loss from operations	(4,612,594)	(6,076,691)
Nonoperating revenue (expenses):		
Investment earnings	6,278,436	4,198,384
Gain (loss) on disposal of capital assets	(14,518)	292,331
Grant revenue	2,525,400	956,387
Contributions	1,420,638	118,330
Forgiveness of community disaster loan	-	68,338,546
Equity in net income (loss) of associated company	(1,005,054)	602,584
Change in fair value of interest rate swap agreements	669,939	(151,607)
Other	(37,609)	(27,395)
	9,837,232	74,327,560
Excess of revenue over expenses before transfers and minority interest	5,224,638	68,250,869
Transfers to Jefferson Parish	(1,547,404)	(1,631,155)
Minority interest in net income of equity interests	(1,218,397)	(1,555,960)
Change in net assets	2,458,837	65,063,754
Net assets:		
Beginning	292,806,632	227,742,878
Ending	$ 295,265,469	$ 292,806,632

See Notes to Basic Financial Statements.

East Jefferson General Hospital

Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
Receipts from patients and third-party payors	$ 342,730,895	$ 359,610,582
Payments to suppliers	(157,320,378)	(174,245,578)
Payments to employees	(173,664,649)	(172,458,430)
Other receipts	17,518,486	10,528,144
Net cash provided by operating activities	29,264,354	23,434,718
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(30,201,620)	(18,546,590)
Proceeds from disposals of capital assets	437,004	1,022,801
Grant revenues	2,525,400	956,387
Payment for termination of interest rate swaps	(2,422,979)	-
Payment of debt issuance costs	(4,446,096)	-
Proceeds from note payable	2,245,589	-
Proceeds from issuance of long-term debt	170,000,000	-
Principal payments on long-term debt	(127,799,411)	(5,399,126)
Interest payments on long-term debt	(8,876,302)	(6,977,646)
Net cash provided by (used in) capital and related financing activities	1,461,585	(28,944,174)
Cash Flows from Noncapital Financing Activities:		
Contributions received	1,080,638	118,330
Transfers to Jefferson Parish	(1,547,404)	(1,631,155)
(Distributions to) minority interest, net	(1,038,282)	(2,643,983)
Net cash (used in) noncapital financing activities	(1,505,048)	(4,156,808)
Cash Flows from Investing Activities:		
Investment earnings	3,805,737	3,140,742
Purchase of investments	(709,665,039)	(3,403,341,366)
Proceeds from sales and maturities of investments	674,097,072	3,413,297,002
Net (increase) decrease in deferred compensation, life insurance and other	1,032,188	(319,309)
Purchase of minority interest in component unit	-	(1,800,000)
Other (expense)	(37,609)	(27,395)
Net cash provided by (used in) investing activities	(30,767,651)	10,949,674
Increase (decrease) in cash and cash equivalents	(1,546,760)	1,283,410
Cash and cash equivalents:		
Beginning	11,587,888	10,304,478
Ending	$ 10,041,128	$ 11,587,888
Reconciliation of Cash and Cash Equivalents to the Balance Sheets:		
Cash and cash equivalents in current assets	$ 10,041,128	$ 8,507,703
Cash and cash equivalents, included in assets limited as to use, noncurrent	-	3,080,185
	$ 10,041,128	$ 11,587,888

(Continued)

East Jefferson General Hospital

Statements of Cash Flows (Continued)
Years Ended December 31, 2011 and 2010

		2011		2010
Reconciliation of operating loss to net cash				
provided by operating activities:				
Loss from operations	$	**(4,612,594)**	$	(6,076,691)
Adjustments to reconcile loss from operations to				
net cash provided by operating activities:				
Depreciation and amortization		**23,829,371**		24,311,514
Interest expense		**7,604,658**		7,874,114
(Increase) decrease in:				
Patient receivables		**1,043,326**		(5,818,837)
Other receivables		**(449,095)**		537,605
Inventories		**(87,523)**		(34,892)
Prepaid expenses		**2,276,614**		(585,777)
Increase (decrease) in:				
Accounts payable		**1,621,987**		2,403,870
Third-party payor settlements		**(290,661)**		1,170,571
Accrued expenses		**(1,748,890)**		(3,345,384)
Deferred compensation and executive benefits, retirement				
benefits and self-insurance reserves		**77,161**		2,998,625
Net cash provided by operating activities	$	**29,264,354**	$	23,434,718
Noncash Investing Activities, increase in fair value of investments	$	**2,472,699**	$	1,057,642
Noncash Capital and Related Financing Activities:				
Forgiveness of Community Disaster Loan, including accrued interest	$	**-**	$	68,338,546
Increase in accounts payable related to construction in progress		**274,236**		-
Reclassification of unamortized deferred loss on refunding from				
debt issuance costs to long-term debt		**1,888,042**		-
Noncash Noncapital Financing Activities, contribution of other asset		**340,000**		-

See Notes to Basic Financial Statements.

East Jefferson General Hospital

Retirement and Savings Plan
Statements of Plan Net Assets - Pension Trust Fund
December 31, 2011 and 2010

	2011	2010
Assets		
Cash and investments at fair value:		
Cash equivalents	$ 1,123,777	$ 1,103,747
Mutual funds	119,283,720	124,513,956
Debt securities	6,465,961	-
Equities	21,248,349	23,523,386
Investment in partnership	189,750	275,696
Total cash and investments	148,311,557	149,416,785
Receivables and prepaids:		
Accrued interest and dividends	65,234	14,702
Contributions receivable:		
Employee	303,572	283,073
Employer	4,054,024	4,031,614
Other	-	408,473
Total receivables	4,422,830	4,737,862
Liabilities, accounts payable	63,789	30,309
Net Assets Held in Trust for Pension Benefits	$ 152,670,598	$ 154,124,338

See Notes to Basic Financial Statements.

East Jefferson General Hospital

Retirement and Savings Plan
Statements of Changes in Plan Net Assets - Pension Trust Fund
Years Ended December 31, 2011 and 2010

	2011	2010
Additions:		
Contributions:		
Members	$ 8,818,830	$ 8,788,775
Employer	8,150,989	8,105,084
Total contributions	16,969,819	16,893,859
Investment income (loss):		
Interest	1,691,202	1,139,668
Dividends	2,222,372	2,829,232
Net appreciation (depreciation) in fair value of investments	(5,166,297)	11,781,082
	(1,252,723)	15,749,982
Less:		
Investment advisory services	292,747	149,133
Custodial fees	58,185	66,540
Net investment income (loss)	(1,603,655)	15,534,309
Total additions	15,366,164	32,428,168
Deductions:		
Retirement benefits paid and savings plan withdrawals	16,056,141	12,020,788
Forfeitures of nonvested contributions	763,763	1,278,456
Total deductions	16,819,904	13,299,244
Net increase (decrease)	(1,453,740)	19,128,924
Net assets held in trust for pension benefits:		
Beginning	154,124,338	134,995,414
Ending	$ 152,670,598	$ 154,124,338

See Notes to Basic Financial Statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

East Jefferson General Hospital (Hospital) is organized as Jefferson Parish Hospital Service District No. 2 by the Parish Council of Jefferson Parish, Louisiana (Parish) under provisions of the Jefferson Parish Charter and of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950 and is exempt from federal and state income taxes. The Hospital operates an acute care hospital and physician practices and owns certain medical office buildings. The Hospital is a component unit of Jefferson Parish, Louisiana for financial reporting purposes and is included in the basic financial statements of Jefferson Parish together with its component units, which are described below.

East Jefferson Radiation Oncology, LLC (EJRO) was formed in 2006 and shall continue perpetually. EJRO provides radiation oncology services. The Hospital has a 100% ownership interest in EJRO.

East Jefferson Physicians Group, LLC (EJPG) was formed in 2006 and shall continue perpetually. EJPG owns and operates a wide range of clinical practices. The Hospital has a 100% ownership interest in EJPG.

PET Scan Center of East Jefferson, LLC (PET Scan) was formed in 2002 and shall continue perpetually. PET Scan operates a PET Scan facility. The Hospital had a 100% ownership interest in PET Scan as of December 31, 2010. The Hospital is in the process of dissolving this LLC and as a result, effective April 1, 2011, has presented PET Scan as a department of the Hospital.

Gulf South Quality Network, LLC (GULF) was formed in 2010 and shall continue perpetually. GULF was formed to develop a physician network engaged in the process of clinical integration. The Hospital has a 100% ownership interest in GULF.

East Jefferson Physician Network, LLC (EJPN) was formed in 1996 and shall continue perpetually. EJPN was used to acquire several physician practices. The Hospital has a 95% ownership interest in EJPN as of December 31, 2011 and 2010.

East Jefferson Ambulatory Surgery Center, LLC (EJASC) was formed in 2004 and shall continue perpetually. EJASC operates a surgery center on the Organization's campus. The Hospital has a 51% ownership interest in EJASC as of December 31, 2011 and 2010.

East Jefferson General Surgery Co-Management Company, LLC (SURG) was formed in 2009 and shall continue perpetually. SURG entered into a management agreement with the Hospital to manage, enhance and improve general surgery services. The Hospital has a 51% ownership in SURG as of December 31, 2011 and 2010.

East Jefferson Orthopedic Co-Management Company, LLC (ORTHO) was formed in 2009 and shall continue perpetually. ORTHO entered into a management agreement with the Hospital to manage, enhance and improve orthopedic services. The Hospital has a 51% ownership in ORTHO as of December 31, 2011 and 2010.

The Hospital, EJRO, EJPG, PET Scan, GULF, EJPN, EJASC, SURG and ORTHO are collectively referred to as the Organization.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Significant accounting policies:

Reporting entity: For financial reporting purposes EJRO, EJPG, PET Scan, GULF, EJPN, EJASC, SURG and ORTHO are included in the Hospital's financial statements as blended component units. The balances and transactions of these entities are blended with those of the Hospital in the accompanying basic financial statements, and referred to as "East Jefferson General Hospital" due to their insignificance. Intercompany balances and transactions are eliminated in the process. The Organization has included all funds, organizations, agencies, boards, commissions and authorities. The Organization has also considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's basic financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the organization. Based on these criteria, EJRO, EJPG, PET Scan, GULF, EJPN, EJASC, SURG and ORTHO are included within the reporting entity.

Fiduciary fund type: The Organization also includes a pension trust fund, fiduciary fund type. The Pension Trust Fund is accounted for in essentially the same manner as the Organization, using the same measurement focus and accrual basis of accounting. Employee and employer contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Pension Trust Fund accounts for the assets of the East Jefferson General Hospital Retirement and Savings Plan. This plan is included in the reporting entity due to the Organization's significant administrative involvement.

Accrual basis of accounting: The accrual basis of accounting is used by the Organization. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred. Under this basis of accounting, all assets and liabilities associated with the operation of the Organization are included in the balance sheets.

Accounting standards: The Organization has elected to apply all applicable Governmental Accounting Standards Board (GASB) Pronouncements as well as the following pronouncements issued before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs). The Organization has elected not to follow FASB guidance which was issued subsequent to November 30, 1989.

Accounting estimates: The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents include temporary cash investments whose use is not limited. The temporary cash investments have original maturities of three months or less at date of issuance. Certain temporary investments internally designated as long-term investments are excluded from cash and cash equivalents.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Patient receivables: Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Patient receivables due directly from the patients, net of any third-party payor responsibility, are carried at the original charge for the service provided less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Organization does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Provision for bad debts was $20,323,195 and $26,574,803 for the years ended December 31, 2011 and 2010, respectively, and is recorded as a reduction of net patient service revenue.

Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as estimated third-party payor receivables or payables.

Inventories: Inventories, which consist primarily of drugs and supplies, are valued at the lower of cost (first-in, first-out method) or market.

Assets limited as to use and investments: Assets limited as to use include assets set aside by the Board of Directors for retirement of long-term debt and future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes and assets held by trustees under bond indenture agreements.

Investments, including assets limited as to use, are recorded at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in equity securities with readily determinable fair values and all investments in debt securities, including those classified as assets limited as to use, are measured at fair value in the balance sheets. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment earnings, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses are included in nonoperating income.

Funds that were established in connection with the issuance of the revenue bonds are maintained by a trustee in special trust accounts for the benefit and security of the holders and owners of the debt and are reported as assets limited as to use under bond indentures. Interest earned on the investments held in trust is retained in the funds and used for the purposes described in the respective bond ordinances.

The Organization has an investment in an associated company that operates a laundry service, which is accounted for by the equity method of accounting under which the Organization's share of the net income of the associated company is recognized as income in the Organization's statements of revenue, expenses and changes in net assets and is added to the investment account. Dividends and distributions received from the associated company are treated as a reduction of the investment account. The Organization's equity in the net income (loss) of the associated company is $(1,005,004) and $602,584 for the years ended December 31, 2011 and 2010, respectively.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Capital assets: Capital assets are carried at cost or, if donated, at fair value at date of donation. Depreciation is computed by the straight-line method over the assets' estimated useful lives ranging from three to forty years. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets and is depreciated over the estimated useful lives of the constructed assets.

Interest capitalized on construction was approximately $420,000 and $196,000 during the years ended December 31, 2011 and 2010, respectively.

Debt issuance costs: Debt issuance costs are being amortized over the term the related debt is outstanding by a method which approximates the interest method.

Net patient service revenue: Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue is reported net of provision for bad debts.

Operating income: The Organization distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from the primary purpose of the Organization, which is to provide medical services to the region. Operating revenue consists of net patient services, cafeteria and special meals, Wellness Center membership, Upper Payment Limit (UPL) revenue, and other miscellaneous services. Operating expenses consist of salaries and benefits, purchased services, supplies, depreciation and amortization, interest and payments related to the UPL programs and the low income and needy care collaboration. All revenue and expenses not meeting these criteria are considered nonoperating.

Net assets: Net asset classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on net assets through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There was no amount restricted by enabling legislation as of year-end.

Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt” above.

Charity care: The Organization provides care to patients who meet certain criteria under its charity care policy at amounts less than its established rates.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Gifts, grants and bequests: Gifts, grants and bequests not designated by donors for specific purposes are reported as nonoperating revenue regardless of the use for which they might be designated by the Board of Directors. Grants are recognized as revenue when earned. Expense-driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met.

Board of Directors: Members of the Hospital's Board of Directors receive no compensation or per diem.

Reclassification: Certain items on the accompanying balance sheet and statement of revenue, expenses and changes in net assets for the year ended December 31, 2010, have been reclassified to be consistent with classifications for the current year ended December 31, 2011. The reclassification had no impact on total assets, liabilities or net assets.

Note 2. Net Patient Service Revenue

Approximately 97% of the Hospital's net patient service revenue for the years ended December 31, 2011 and 2010 is earned under agreements with third-party payors. These agreements with third-party payors provide for payments to the Hospital at amounts different from its established rates. These third-party payors include: the Medicare and Medicaid programs, health maintenance organizations, and various commercial insurance and preferred provider organizations. A summary of the payment arrangements with major third-party payors follows:

Medicare: The Hospital is paid for inpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The prospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization which is under contract with the Hospital to perform such reviews.

Outpatient services are paid via the outpatient prospective payment system. Any former cost reimbursed outpatient services were paid at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. Outpatient services subject to the outpatient prospective payment system are not subject to cost report settlement with several exceptions, and without regard to the transitional corridor.

The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through December 31, 2006.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed based upon prospectively determined rates. The prospectively determined rates are not subject to retroactive adjustment. Outpatient services are reimbursed based on cost reimbursement and fee schedule limitations. The cost based rates are subject to retroactive adjustment.

In the summer of 2009, House Bill No. 879 (HB 879) was approved and became effective upon the signature of the Governor of Louisiana. HB 879 directed the Department of Health and Hospitals, Bureau of Health Services Financing to issue supplemental payments to hospitals that demonstrated substantial financial and operational challenges in the aftermath of hurricanes Katrina, Rita, Gustav and Ike. One of the provisions of HB 879 made additional Medicaid funding available to hospitals identified in the July 17, 2008 United States Government Accountability Office (GAO) report that have demonstrated substantial financial and operational challenges in the aftermath of Hurricane Katrina. East Jefferson General Hospital is one of five hospitals identified in the GAO report.

Note 2. Net Patient Service Revenue (Continued)

As a result of the above, the Hospital was eligible to receive supplemental payments for Medicaid services rendered from July 1, 2009 to December 31, 2010. During the year ended December 31, 2010 EJGH recognized into income approximately $21.9 million of these supplemental payments. No amounts were recognized into income for the year ended December 31, 2011 under this program.

The Hospital's Medicaid cost reports have been finalized through December 31, 2006.

Other agreements: The Hospital has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined daily rates and capitated per member per month rates.

A summary of the Organization's net patient revenue for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Gross patient service revenue	$ 1,127,548,802	$ 1,107,318,403
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs	765,247,377	716,484,752
Less provision for bad debts	20,323,195	26,574,803
	$ 341,978,230	$ 364,258,848

Contractual adjustment expenses for the years ended December 31, 2011 and 2010 include the effects of changes in the estimate of liabilities due to Medicare. The effect of this change in estimate for the Medicare liability was a reduction in contractual adjustment expense of approximately $576,000 and $528,000 for the years ended December 31, 2011 and 2010, respectively, and is primarily related to the recognition of disproportionate share reimbursement.

Note 3. Charity Care and Community Service

The Organization maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and the estimated cost of those services and supplies. The amount of charges foregone, based on established rates during the years ended December 31, 2011 and 2010 was approximately $1,358,000 and $1,289,000, respectively.

Although not accounted for as charity care, the Organization considers the contractual adjustment expense related to the Medicaid services as charity care. Contractual adjustment expense related to the Medicaid services performed was approximately $54,505,000 and $55,884,000 for the years ended December 31, 2011 and 2010, respectively.

Community benefit services represent the cost of providing services such as ambulance services, public speeches on health care issues to Parish organizations and funding of a community health center.

The Organization transferred $1,000,000 in 2011 and 2010 to the Parish to fund a medical facility at the Parish prison. Additional transfers of $547,404 and $631,155 for the years ended December 31, 2011 and 2010, respectively, were made to fund other Parish programs. These amounts have been recorded in the accompanying basic financial statements as transfers.

Note 4. Cash and Investments

The Organization's cash, cash equivalents and investments as of December 31, 2011 and 2010 are classified in the accompanying balance sheets as follows:

	2011	2010
Current assets:		
Cash and cash equivalents	$ 10,041,128	$ 8,507,703
Short-term investments:		
Certificates of deposit	250,000	250,000
Investments	112,187,464	49,722,612
Assets limited as to use:		
Cash and cash equivalents	-	3,080,185
Investments	124,621,094	149,045,280
Other	300,000	300,000
	$ 247,399,686	$ 210,905,780

Authorized investments:

Louisiana state statutes authorize the Organization to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the Organization be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Interest rate risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Organization's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Organization's investments by maturity:

		Investment Maturities (in Years)			
	Fair Value	Less than 1	1 - 5	6 -10	More than 10
Money market mutual funds	$ 78,736,598	$ 78,736,598	$ -	$ -	$ -
Municipal bonds	158,071,960	25,202,531	105,061,185	27,808,244	-
	$ 236,808,558	$ 103,939,129	$ 105,061,185	$ 27,808,244	$ -

Note 4. Cash and Investments (Continued)

Credit risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Organization's investment policy limits any investments in Louisiana Municipal Bonds to be rated at Baa3 or higher by Moody's Investor Service or BBB– or higher by Standard & Poor's Corporation or Fitch Inc. The policy also limits the total portfolio to a duration that is within a range between 50% and 150% of the duration of the Barclays Capital U.S. 1-3 Year Government Bond index and the Barclays Capital Municipal Managed Money Short/Intermediate 1-10 Year index as weighted by the portfolio holdings.

As of December 31, 2011, the Organization's investments were rated as follows:

Investment Type	Moody's Investor's Service	Standard & Poor's	Fair Value
Money market mutual funds	AAA	Aaa	$ 78,736,598
Municipals bonds (rated as listed here)	Aaa	AAA	2,894,945
	Aaa	AA+	50,474,671
	Aaa	AA	110,981
	Aaa	AA-	1,561,869
	Aaa	n/a	1,741,703
	Aa1	AAA	4,001,498
	Aa1	AA+	8,875,460
	Aa1	AA	151,500
	Aa1	AA-	377,146
	Aa1	n/a	3,875,776
	Aa2	AAA	417,304
	Aa2	AA+	4,705,919
	Aa2	AA	18,309,747
	Aa2	AA-	8,073,576
	Aa2	n/a	3,526,199
	Aa3	AAA	108,892
	Aa3	AA	716,813
	Aa3	AA-	11,201,249
	Aa3	A+	210,503
	Aa3	A	179,678
	Aa3	n/a	7,402,455
	A1	AA-	1,308,145
	A1	A+	836,468
	A1	A	437,388
	A1	n/a	1,397,194
	A2	A-	700,448
	A2	n/a	1,348,084
	A3	AA+	311,907
	Baa3	AA+	410,684
	n/a	AAA	760,525
	n/a	AA+	5,730,829
	n/a	AA	2,623,880
	n/a	AA-	7,930,657
	n/a	A+	4,560,593
	n/a	A	797,274
			$ 236,808,558

Note 4. Cash and Investments (Continued)

Concentration of credit risk:

The Organization's investment policy is to apply the standard of prudence: Investments shall be made with judgment and care, under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The Organization places no limits on the amount that may be invested with one issuer.

Custodial credit risk:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Hospital's investment policy requires all certificates of deposit and repurchase agreements be collateralized by government securities for an amount in excess of FDIC and SAIF insurance limits. Certificates of deposit or repurchase agreement with terms longer than four days must be held by an independent third party.

As of December 31, 2011, all of the Organization's bank balances in deposits with financial institutions were covered by insurance or collateral held by financial institutions in the Organization's name. The investments were also entirely covered by insurance or held by financial institutions in the Organization's name.

East Jefferson General Hospital Retirement and Savings Plan:

Following are the components of the East Jefferson General Hospital Retirement and Savings Plan's (Plan) cash equivalents and investments as of December 31, 2011 and 2010:

	Defined Benefit Retirement Plan	Savings Plan	Total
		2011	
Cash equivalents	$ 1,123,777	$ -	$ 1,123,777
Investments	33,398,089	113,789,691	147,187,780
	$ 34,521,866	$ 113,789,691	$ 148,311,557
		2010	
Cash equivalents	$ 1,103,747	$ -	$ 1,103,747
Investments	34,442,867	113,870,171	148,313,038
	$ 35,546,614	$ 113,870,171	$ 149,416,785

Note 4. Cash and Investments (Continued)

Cash equivalents: The Plan's cash equivalents totaling $1,123,777 and $1,103,747 as of December 31, 2011 and 2010, respectively, consist of government backed pooled funds. The funds are held by a sub-custodian and are managed by a separate money manager and are in the name of the Plan's custodian's trust department.

Investments: Hospital service districts are authorized under Louisiana R.S. 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and Trust Agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system. As of December 31, 2011 and 2010, the Retirement Plan's investments were held by Comerica and JP Morgan Chase, respectively. The Savings Plan's investments are held by VALIC.

Concentration of credit risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investment policy states that no more than 5% (of cost) of the assets assigned to an investment manager may be invested in the securities of one issuer. As of December 31, 2011 and 2010, there were no investment holdings that exceeded the Plan's concentration of credit risk policy.

Credit risk: Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has no formal investment policy regarding credit risk. Credit ratings of the Plan's investments in long-term debt securities as of December 31, 2011 are as follows:

Investment Type	Moody's Investor's Service - Aaa	Not Rated	Total
U.S. government and government agency	$ 4,374,274	$ -	$ 4,374,274
Mortgage backed securities	-	2,091,687	2,091,687
	$ 4,374,274	$ 2,091,687	$ 6,465,961

The Plan did not have investments in long-term securities at December 31, 2010.

Custodial credit risk: Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Plan holds its cash equivalents in a nominee name in the amount of $1,123,777 and $1,103,747 as of December 31, 2011 and 2010, respectively. The Plan has assets in the amount of $147,187,780 and $148,313,038 as of December 31, 2011 and 2010, respectively, which are not held in a nominee name or in the name of the Plan and, therefore, exposed to custodial credit risk. These assets are held in Comerica & VALIC custodial accounts.

Note 4. Cash and Investments (Continued)

Interest rate risk: Interest rate risk is defined as the risk that changes in the interest rates will adversely affect the fair value of an investment. As of December 31, 2011, the Plan had the following investments in long-term debt securities and maturities:

		Investment Maturities (in Years)			
	Fair Value	Less than 1	1 - 5	6 -10	More than 10
U.S. government and government agency	$ 4,374,274	$ 925,662	$ 1,211,080	$ 1,310,697	$ 926,835
Mortgage backed securities	2,091,687	-	-	-	2,091,687
	$ 6,465,961	$ 925,662	$ 1,211,080	$ 1,310,697	$ 3,018,522

The Plan did not have investments in long-term debt securities as of December 31, 2010. The Plan has no formal investment policy regarding interest rate risk.

The Plan invests in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

Note 5. Composition of Patient Receivables

Patient receivables as of December 31, 2011 and 2010 consist of the following:

	2011	2010
Patients	$ 141,904,526	$ 141,101,335
Less estimated third-party contractual adjustments	88,682,207	83,689,136
Less allowance for doubtful accounts	11,199,991	14,346,545
	$ 42,022,328	$ 43,065,654

Note 6. Capital Assets

Capital assets activity as of and for the years ended December 31, 2011 and 2010 is as follows:

	December 31, 2010	Additions	Disposals	Transfers	December 31, 2011
Capital assets not being depreciated:					
Land	$ 17,673,695	$ -	$ (120,000)	$ -	$ 17,553,695
Construction in progress	4,351,384	17,161,728	-	(14,229,133)	7,283,979
Total capital assets not being depreciated	22,025,079	17,161,728	(120,000)	(14,229,133)	24,837,674
Capital assets being depreciated:					
Land improvements	6,793,148	4,622	-	-	6,797,770
Buildings	256,675,422	511,220	(107,739)	3,936,006	261,014,909
Fixed equipment	85,056,304	527,854	(8,315)	5,089,582	90,665,425
Major movable equipment	169,731,289	12,270,432	(1,685,673)	5,203,545	185,519,593
Minor equipment	887,587	-	(159)	-	887,428
Total capital assets being depreciated	519,143,750	13,314,128	(1,801,886)	14,229,133	544,885,125
Less accumulated depreciation for:					
Land improvements	5,349,685	174,824	-	-	5,524,509
Buildings	135,714,616	7,613,506	(17,957)	-	143,310,165
Fixed equipment	56,126,944	4,451,585	(7,553)	-	60,570,976
Major movable equipment	138,494,553	11,190,964	(1,444,695)	-	148,240,822
Minor equipment	886,317	-	(159)	-	886,158
Total accumulated depreciation	336,572,115	23,430,879	(1,470,364)	-	358,532,630
Total capital assets being depreciated, net	182,571,635	(10,116,751)	(331,522)	14,229,133	186,352,495
Organization capital assets, net	$ 204,596,714	$ 7,044,977	$ (451,522)	$ -	$ 211,190,169

Note 6. Capital Assets (Continued)

	December 31, 2009	Additions	Disposals	Transfers	December 31, 2010
Capital assets not being depreciated:					
Land	$ 12,873,070	$ 5,170,625	$ (370,000)	$ -	$ 17,673,695
Construction in progress	3,927,973	3,959,750	-	(3,536,339)	4,351,384
Total capital assets not being depreciated	16,801,043	9,130,375	(370,000)	(3,536,339)	22,025,079
Capital assets being depreciated:					
Land improvements	7,018,208	16,080	(241,140)	-	6,793,148
Buildings	253,558,135	682,409	(1,101,461)	3,536,339	256,675,422
Fixed equipment	84,319,170	754,450	(17,316)	-	85,056,304
Major movable equipment	162,772,680	8,202,876	(1,244,267)	-	169,731,289
Minor equipment	888,182	-	(595)	-	887,587
Total capital assets being depreciated	508,556,375	9,655,815	(2,604,779)	3,536,339	519,143,750
Less accumulated depreciation for:					
Land improvements	5,088,895	262,330	(1,540)	-	5,349,685
Buildings	128,550,369	7,929,728	(765,481)	-	135,714,616
Fixed equipment	51,827,972	4,324,650	(25,678)	-	56,126,944
Major movable equipment	128,139,155	11,566,813	(1,211,415)	-	138,494,553
Minor equipment	886,912	-	(595)	-	886,317
Total accumulated depreciation	314,493,303	24,083,521	(2,004,709)	-	336,572,115
Total capital assets being depreciated, net	194,063,072	(14,427,706)	(600,070)	3,536,339	182,571,635
Organization capital assets, net	$ 210,864,115	$ (5,297,331)	$ (970,070)	$ -	$ 204,596,714

Note 7. Long-Term Debt and Interest Rate Swap Agreements

Long-term debt as of December 31, 2011 and 2010 consists of:

	2011	2010
Hospital Revenue and Refunding Bonds, Series 2011, net of unamortized deferred loss on refunding (A)	$ 168,164,026	$ -
Hospital Revenue Bonds, Series 1998 (B)	-	99,675,000
Hospital Revenue Refunding Bonds, Series 1993 (C)	-	26,315,000
Note payable (D)	2,245,589	-
Capital lease obligation, MRI (E)	2,563,338	2,899,975
Capital lease obligation, parking garage (F)	3,202,565	3,830,431
EJRO capital lease obligation (G)	2,754,719	3,374,019
EJASC notes payable, bank (H)	1,425,791	1,651,399
	180,356,028	137,745,824
Less current maturities	8,021,188	8,967,207
	$ 172,334,840	$ 128,778,617

(A) **Hospital Revenue and Refunding Bonds, Series 2011 - $170,000,000.** On October 26, 2011, the Hospital issued $170,000,000 in Revenue and Refunding Bonds, the proceeds of which, together with other amounts made available by the Hospital, are to be used to: (i) refund and defease the outstanding Hospital Revenue Bonds, Series 1998 and Hospital and Revenue Refunding, Series 1993 Bonds, (ii) finance costs of future capital projects, (iii) fund a deposit to the debt service reserve fund securing the Series 2011 Bonds and (iv) pay the costs of issuance of the Series 2011 Bonds.

The refunding of the Series 1998 and 1993 Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $1,590,000 and $298,000, respectively. The difference, reported in the accompanying financial statements as a deduction from long-term debt, is being amortized through 2028 and 2016, respectively. The Hospital's refunding of the 1998 and 1993 bonds eliminated $169,616,097 of future debt service payments, reduced total debt service payments by approximately $6.0 million over the next five years and allowed for the spreading of outstanding debt over the next 30 years, rather than 17 years. Debt service payments for the 2011 Series bonds total $367,422,647 through maturity in 2041.

The Series 2011 bonds bear interest at rates ranging from 2.0% to 6.375%, payable semi-annually. Annual principal payments are due in varying amounts ranging from $2,705,000 to $11,515,000 through July 2041.

The Series 2011 Bonds grant a security interest in all revenue either accrued or received in connection with operations of the Hospital. The terms of the trust indentures require the Hospital to comply with certain covenants. The covenants provide for timely financial reporting and require the Hospital to maintain certain financial ratios, the most restrictive of which is the maintenance of a specified debt service coverage ratio and the days cash on hand ratio.

Management has computed the maximum annual debt service requirements for the debt service coverage ratio and the days cash on hand requirements as of December 31, 2011.

(B) **Hospital Revenue Bonds, Series 1998 - $125,000,000**. Bond proceeds were used for capital improvements and paying interest and issuance costs incurred. The bonds were advanced refunded in 2011, see (A) above.

Note 7. Long-Term Debt and Interest Rate Swap Agreements (Continued)

(C) **Hospital Revenue Refunding Bonds, Series 1993 - $64,575,000**. Bond proceeds were used to advance refund the Hospital's Series 1986 Hospital Revenue Refunding Bonds, and to pay bond insurance and issuance costs. The bonds were advanced refunded in 2011, see (A) above.

(D) The Hospital has entered into a note payable agreement for the acquisition of a PET Scanner. The note bears interest at 3.39%, due in monthly installments of approximately $35,000, with a maturity date of January 2018. This note is secured by equipment.

(E) The Hospital has entered into a capital lease agreement with a medical partnership for the purpose of constructing a medical building used to house magnetic resonance imaging unit and radiation therapy equipment. The medical building and equipment revert to the Hospital upon termination of the lease. The lease requires monthly base rental payments of approximately $47,000 and minimum monthly operating expense payments of approximately $22,000 through March 2017. The base rental payments are subject to a 1% annual cumulative escalation clause. The lease is collateralized by the building and equipment with an amortized cost of approximately $1,084,000 as of December 31, 2011.

(F) The Hospital has entered into a capital lease agreement with East Jefferson General Hospital Foundation for the purpose of constructing a parking garage. The parking garage reverts to the Hospital upon termination of the lease. The lease requires monthly base rental payments of approximately $65,000 and minimum monthly operating expense payments of approximately $15,000 through May 2017. The lease is collateralized by the parking garage with an amortized cost of approximately $1,474,000 as of December 31, 2011.

(G) EJRO has entered into a capital lease agreement for a Novalis TX linear accelerator and related hardware. The lease requires monthly payments of approximately $69,000 through October 2015. The lease is collateralized by leasehold improvements and equipment with an amortized cost of approximately $1,932,000 as of December 31, 2011.

(H) EJASC has entered into two notes payable. The first note bears interest at 6.75%, due in monthly installments of approximately $15,000, with a maturity date of September 2013. This note is secured by furniture, equipment and accounts receivable of EJASC. The second note bears interest at 6.75%, due in monthly installments of approximately $15,000, which are based on a fifteen-year amortization and seven-year balloon payment with a maturity date of August 2013. This note is secured by equipment and accounts receivable of EJASC. These notes payable contain certain financial covenants for EJASC, including requirements to maintain defined levels of net worth and financial statement reporting requirements. As of December 31, 2011, EJASC was not in compliance with a certain covenant, for which EJASC obtained a waiver of the covenant.

Note 7. Long-Term Debt and Interest Rate Swap Agreements (Continued)

Long-term debt activity as of and for the years ended December 31, 2011 and 2010 is as follows:

	December 31, 2010	Additions	Deductions	December 31, 2011	Due Within One Year
Hospital Revenue and Refunding Bonds, Series 2011	$ -	$ 170,000,000	$ -	$ 170,000,000	$ 5,675,000
Hospital Revenue Bonds, Series 1998	99,675,000	-	(99,675,000)	-	-
Hospital Revenue Refunding Bonds, Series 1993	26,315,000	-	(26,315,000)	-	-
Notes payable	-	2,245,589	-	2,245,589	311,544
Capital lease obligation, MRI	2,899,975	-	(336,637)	2,563,338	378,286
Capital lease obligation, parking garage	3,830,431	-	(627,866)	3,202,565	755,462
EJRO capital lease obligation	3,374,019	-	(619,300)	2,754,719	661,576
EJASC notes payable, bank	1,651,399	-	(225,608)	1,425,791	239,320
	137,745,824	172,245,589	(127,799,411)	182,192,002	8,021,188
Less unamortized deferred loss on refunding	-	1,888,042	(52,068)	1,835,974	-
	$ 137,745,824	$ 170,357,547	$ (127,747,343)	$ 180,356,028	$ 8,021,188

	December 31, 2009	Additions	Deductions	December 31, 2010	Due Within One Year
Hospital Revenue Bonds, Series 1998	$ 103,040,000	$ -	$ (3,365,000)	$ 99,675,000	$ 3,520,000
Hospital Revenue Refunding Bonds, Series 1993	26,815,000	-	(500,000)	26,315,000	3,800,000
Community Disaster Loan	61,024,950	-	(61,024,950)	-	-
Capital lease obligation, MRI	3,198,958	-	(298,983)	2,899,975	336,634
Capital lease obligation, parking garage	4,257,033	-	(426,602)	3,830,431	465,460
EJRO capital lease obligation	3,953,750	-	(579,731)	3,374,019	619,301
EJASC notes payable, bank	1,880,209	-	(228,810)	1,651,399	225,812
	$ 204,169,900	$ -	$ (66,424,076)	$ 137,745,824	$ 8,967,207

Note 7. Long-Term Debt and Interest Rate Swap Agreements (Continued)

The aggregate principal and interest maturities, including capital leases, of long-term debt as of December 31, 2011 are as follows:

	Principal	Interest
Year ending December 31:		
2012	$ 8,021,188	$ 7,392,532
2013	6,238,493	10,166,476
2014	5,364,091	9,852,155
2015	5,001,505	9,585,799
2016	3,921,591	9,384,793
2017 to 2021	16,865,134	44,988,945
2022 to 2026	20,600,000	40,638,750
2027 to 2031	27,625,000	33,615,969
2032 to 2036	37,485,000	23,742,413
2037 to 2041	51,070,000	10,169,400
	182,192,002	$ 199,537,232
Less unamortized deferred loss on refunding	1,835,974	
	$ 180,356,028	

The Organization has pledged revenue to repay $170,000,000 hospital revenue and refunding bonds issued October 2011. These bonds are payable solely from the hospital revenue and are payable through 2041. Annual principal and interest payments on the bonds are expected to require less than 10% of revenue. As of December 31, 2011, the total principal and interest remaining to be paid on the Series 2011 bonds is $367,422,647. Principal and interest paid for the current year on the Series 2011 bonds was none. Principal and interest paid for the current year on the refunded bonds prior to the advance refunding as discussed above was $13,093,489. Total hospital revenue for the current year is $370,840,224.

The future minimum rental commitments payable as of December 31, 2011 on capital lease obligations are as follows:

Year ending December 31:	
2012	$ 2,864,268
2013	2,925,561
2014	2,994,634
2015	2,365,319
2016	1,081,482
2017	301,978
Total minimum lease payments	12,533,242
Less amount representing executory costs (i.e., operating expenses) included in total minimum lease payments	2,333,763
Net minimum lease payments	10,199,479
Less amount representing interest	1,678,857
Present value of net minimum lease payments	$ 8,520,622

Note 7. Long-Term Debt and Interest Rate Swap Agreements (Continued)

Interest rate swap agreements:

The Hospital had two interest rate swap agreements that were entered into in 2004. The first was a fixed payer swap in order to hedge its variable rate exposure relative to the portion of its Series 1993 Bonds subject to the total return swap and its Series 2004 Bonds. Based on the fixed payer swap agreement, the Hospital owed interest at a fixed rate of 3.331%, and in return received interest calculated at a variable rate equal to 68% of the 1 month London Interbank Offered Rate (LIBOR).

The second was a fixed-to-floating swap (total return swap) which resulted in the Hospital converting a portion of its Series 1993 Bonds from a fixed rate to a variable rate. Based on the total return swap agreement, the Hospital owed interest calculated at a variable rate of the Bond Market Association Municipal Swap Index (BMA) plus 0.10 percent (i.e., 10 basis points) to the counterparty to the swap. In return, the counterparty owed the Hospital interest based on a fixed rate of 5.75%.

Under the interest rate swap agreements, only the net difference in the interest payments is actually exchanged with the counterparty. Settlement payments, representing the net difference in the amounts to be received and paid under each swap agreement are netted, and the net settlement amount is exchanged semi-annually. The notional amounts are not exchanged, they are only the basis on which the interest payments are calculated.

In October 2011, as part of the bond refunding described above, both of the swaps were terminated. As of December 31, 2010, the swaps had an estimated negative fair value of approximately $3,093,000, which was recorded as a liability for interest rate swaps in the accompanying balance sheet. Under the provisions of GASB Statement No. 53, the swaps are not considered as effective hedging derivative instruments, and therefore, the changes in fair value of $670,000 and $(152,000) for the years ended December 31, 2011 and 2010, respectively, have been recorded as a component of nonoperating revenue (expense) in the accompanying Statements of Revenue, Expenses and Changes in Net Assets similar to investment earnings. The interest settlements received by the Hospital, or paid to the counterparty, are included as a component of interest expense. The net settlements decreased interest expense by approximately $712,000 and $512,000 for the years ended December 31, 2011 and 2010, respectively.

Note 8. Retirement and Benefit Plans

Defined benefit retirement plan:

The Hospital contributes to the Retirement Plan for Employees of East Jefferson General Hospital (Plan) which is a single-employer, noncontributory defined benefit public employee retirement system (PERS). The Plan is sponsored by the Hospital to provide retirement benefits as well as death benefits. All full-time employees at least 21 years of age with at least one year of credited service are eligible to participate in the Plan. Plan benefits vest after five years of credited service. Employees who retire at or after age 62 with 5 years of credited service are entitled to an annual retirement benefit payable monthly for life, unless the present value amount is under $8,500. In this instance, the employer has the option to distribute in a lump-sum payment. The Plan also provides early retirement benefits at reduced amounts at age 55 with 10 years of service. For the years ended December 31, 2011 and 2010, the Hospital's total payroll for all employees was approximately $120,332,000 and $127,889,000, respectively, and the Hospital's total covered payroll (for pension plan participants) was approximately $52,622,000 and $57,758,000, respectively. Covered payroll refers to all compensation paid by the Hospital to active employees covered by the Plan on which contributions to the Plan are based.

Note 8. Retirement and Benefit Plans (Continued)

In November 2004, the Board of Directors of the Hospital adopted a resolution to revise the Plan participation eligibility requirements to exclude employees hired or rehired subsequent to January 1, 2005. In January 2005, the Board of Directors adopted a resolution to freeze the Plan effective April 1, 2005. This resolution had the immediate effect of reducing the actuarially determine recommended contribution to the Plan for 2005. The Board of Directors also resolved to increase base contributions to the Employee Savings Plan on a graduated scale based on length of service.

The benefit provisions of the Plan consist of current and prior accrued benefits. The current benefit provided is equal to .75% of the participant's annual earnings for each Plan year commencing after December 31, 1988, plus .5% of the participant's annual earnings in excess of covered compensation, as defined by the Plan, for each Plan year commencing after December 31, 1988, for up to 35 years of benefit service. The prior accrued benefit provided was equal to 30% of the participant's final average monthly earnings in excess of the Social Security Maximum Wage Average. Certain Plan participants are also entitled to supplemental benefits as specifically defined in the Plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to East Jefferson General Hospital, Administration Department or by calling (504) 454-4000.

Basis of accounting: The Plan's assets are held in various investments, including U.S. government and agency issues, equity securities, mutual funds, corporate bonds, foreign obligation bonds, partnership and guaranteed investment contracts with a life insurance company. The Plan's asset value is the fund value as reported by the life insurance company, which is a book value with part of the fund subject to a market value adjustment should the contract be terminated.

Funding status and progress: The amount shown as the net pension obligation in the following table is a standardized disclosure measure of the present value of pension benefits, adjusted beginning January 1, 2001 for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure, which is independent of the actuarial funding method used to determine contributions to the Plan, is the actuarial present value of credited projected benefits. The measure is intended to help users assess the Plan's funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due.

Plan members are not required to contribute a portion of their annual salary. The Hospital is required per the Plan's funding policy to contribute at an actuarially determined rate which was 6.5% and 4.9% for the years ended December 31, 2011 and 2010, respectively.

Significant actuarial assumptions used in 2011 and 2010 include a rate of return on the investment of present and future assets of 7.5% and 8.0% per year compounded annually, respectively. There has been no cost of living adjustment. In 2011 and 2010 the actuarial value of assets was determined using market value. The unfunded actuarial accrued liability is being amortized as an open level dollar of payroll. The remaining amortization period at a January 1, 2012 actuarial valuation date was 30 years.

Note 8. Retirement and Benefit Plans (Continued)

Annual pension costs, net pension obligation and the accrual for retirement benefits for 2011 and 2010 are as follows:

		2011		2010
Annual required contribution for current year	$	2,581,804	$	2,554,536
Interest on net pension obligation		2,865		3,083
Adjustment to annual required contribution		(42,519)		(3,083)
Annual pension costs		2,542,150		2,554,536
Contribution made		2,581,804		2,554,536
Decrease in net pension obligation		(39,654)		-
Net pension obligation, beginning of year		77,855		77,855
Net pension obligation, end of year	$	38,201	$	77,855

Contributions required and contributions made: The funding policy of the Plan provides for actuarially determined periodic employer contributions at rates that, for individual employees, remain fairly constant over time so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the Traditional Unit Credit actuarial cost method. The Plan is being funded based on its normal cost, as actuarially determined, reduced by amounts sufficient to amortize an overfunded amount from prior years over a 30-year period. The Hospital made contributions of approximately $2,582,000 and $2,555,000 for the years ended December 31, 2011 and 2010, respectively, and is fully funded according to Internal Revenue Service funding limitations. Significant actuarial assumptions used to compute the contribution required are the same as those used to compute the standardized measure of the pension benefit obligation.

Trend information: Trend information related to the Plan is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/09	$ 1,849,998	96%	$ 77,855
12/31/10	2,554,536	100	77,855
12/31/11	2,542,150	100	38,201

Note 8. Retirement and Benefit Plans (Continued)

Funded status and funding progress, pension plan:

The funded status of the Plan as of December 31, 2011 and 2010 is based on the most recent actuarial valuation dated January 1, 2011 and 2010, respectively, as follows:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Valuation date January 1:						
2012	$ 34,587,098	$ 70,572,102	$ 35,985,004	49.0	$ 46,621,480	77.2%
2011	35,969,789	65,035,180	29,065,391	55.3	52,622,311	55.2%

The supplementary information presented in the Required Retirement Plan Information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Plan Year	2011	2010
Valuation Date	January 1, 2012	January 1, 2011
Actuarial Cost Method	Traditional Unit Credit	Traditional Unit Credit
Asset Valuation Method	Market value	Market value
Actuarial Assumptions:		
Investment rate of return	7.5% per annum	8.0% per annum
Amortization method	Level dollar	Level dollar
Amortization period	30 years remaining (open basis)	30 years remaining (open basis)
Salary increase rate	None	None

Employee savings plan:

Effective September 15, 1989, the Hospital adopted the East Jefferson General Hospital Savings Plan (Savings Plan) for the benefit of eligible employees. Benefits under the Plan are payable upon the retirement/disability of the participant or termination of the participant's employment. The Hospital believes the Savings Plan qualifies under Sections 401(a), 403(b) and 457(b) of the Internal Revenue Code of 1986, as applicable to governmental plans.

Note 8. Retirement and Benefit Plans (Continued)

Employees who have attained the age of 21 and completed one year of service are eligible to become participants in the Savings Plan. Savings Plan participants may elect to make pre-tax contributions up to a maximum of the limits allowed by the IRS, as defined in the Savings Plan agreement. The Savings Plan agreement provides that the Hospital contribute 2% of participants' Savings Plan compensation each year and match participant contributions up to 2% of the participants' Savings Plan compensation. Beginning April 1, 2005, the Hospital increased its contribution to a graduated scale of 2% to 5% of compensation based on employee length of service. At the September 2010 Board of Directors' meeting, the Board approved a resolution to convert the 403(b) Retirement Savings Plan matching contribution to a discretionary contribution effective January 1, 2011. A discretionary contribution would provide the Hospital's Board the option of whether or not to fund the matching contribution, in whole or in part. The option of whether or not to fund, in whole or in part, will be decided by the Board on a year to year basis.

In December 2011, the Board of Directors approved funding the 2011 Hospital matching contribution to the Employee 403(b) Retirement Savings Plan during the first quarter of 2012.

Savings Plan assets are invested in an equity fund (consisting primarily of common stocks) or a guaranteed investment contract fund with a commercial insurance company, as elected by plan participants. A separate account is established for each Savings Plan participant. Participants have a nonforfeitable right to the value of their after-tax deposits at any time and become 100% vested in Hospital basic deposits and Hospital matching deposits upon the completion of five years of service. Loans are not permitted under the terms of the Savings Plan.

Employer contributions and employer paid Savings Plan expenses totaled $3,532,311 and $4,049,141 for the years ended December 31, 2011 and 2010, respectively.

Note 8. Retirement and Benefit Plans (Continued)

The following is a summary of the financial statements of the pension plan and employee savings plan as of and for the years ended December 31, 2011 and 2010:

	Defined Benefit Retirement Plan	Savings Plan 401(a)	Savings Plan 403(b) Special	Savings Plan 403(b)	Savings Plan 457(b)	(Total Memorandum Only)
	December 31, 2011					
Assets						
Receivables and prepaids:						
Accrued interest and dividends	$ 65,234	$ -	$ -	$ -	$ -	$ 65,234
Contributions receivable:						
Employee	-	-	-	230,035	73,537	303,572
Employer	-	2,680,425	-	1,373,599	-	4,054,024
Total receivables	65,234	2,680,425	-	1,603,634	73,537	4,422,830
Investments at fair value:						
Cash equivalents	1,123,777	-	-	-	-	1,123,777
Debt securities	6,465,961	-	-	-	-	6,465,961
Equities	21,248,349	-	-	-	-	21,248,349
Mutual funds	5,494,029	46,361,892	-	56,271,531	11,156,268	119,283,720
Investment in partnership	189,750	-	-	-	-	189,750
Total investments	34,521,866	46,361,892	-	56,271,531	11,156,268	148,311,557
Liabilities, accounts payable	63,789	-	-	-	-	63,789
Net Assets Held in Trust for Pension Benefits	$ 34,523,311	$ 49,042,317	$ -	$ 57,875,165	$ 11,229,805	$ 152,670,598

	Defined Benefit Retirement Plan	Savings Plan 401(a)	Savings Plan 403(b) Special	Savings Plan 403(b)	Savings Plan 457(b)	(Total Memorandum Only)
	December 31, 2010					
Assets						
Receivables and prepaids:						
Accrued interest and dividends	$ 14,702	$ -	$ -	$ -	$ -	$ 14,702
Contributions receivable:						
Employee	-	-	-	216,355	66,718	283,073
Employer	-	2,773,844	-	1,257,770	-	4,031,614
Other	408,473	-	-	-	-	408,473
Total receivables	423,175	2,773,844	-	1,474,125	66,718	4,737,862
Investments at fair value:						
Cash equivalents	1,103,747	-	-	-	-	1,103,747
Equities	23,523,386	-	-	-	-	23,523,386
Mutual funds	10,643,785	48,288,138	160,170	54,621,109	10,800,754	124,513,956
Investment in partnership	275,696	-	-	-	-	275,696
Total investments	35,546,614	48,288,138	160,170	54,621,109	10,800,754	149,416,785
Liabilities, accounts payable	30,309	-	-	-	-	30,309
Net Assets Held in Trust for Pension Benefits	$ 35,939,480	$ 51,061,982	$ 160,170	$ 56,095,234	$ 10,867,472	$ 154,124,338

Note 8. Retirement and Benefit Plans (Continued)

	Defined Benefit Retirement Plan	Savings Plan 401(a)	Savings Plan 403(b) Special	Savings Plan 403(b)	Savings Plan 457(b)	(Total Memorandum Only)
	Year Ended December 31, 2011					
Additions:						
Contributions:						
Members	$ -	$ -	$ -	$ 6,926,618	$ 1,892,212	$ 8,818,830
Employer	2,581,804	3,659,037	-	1,910,148	-	8,150,989
Total contributions	2,581,804	3,659,037	-	8,836,766	1,892,212	16,969,819
Investment income:						
Interest	656,871	491,687	1,157	471,260	70,227	1,691,202
Dividends	384,335	711,410	-	918,518	208,109	2,222,372
Net appreciation in fair value of investments	(1,200,228)	(1,263,637)	1,061	(2,226,712)	(476,781)	(5,166,297)
	(159,022)	(60,540)	2,218	(836,934)	(198,445)	(1,252,723)
Less:						
Investment advisory services	292,747	-	-	-	-	292,747
Custodial fees	54,939	-	-	-	3,246	58,185
Net investment income	(506,708)	(60,540)	2,218	(836,934)	(201,691)	(1,603,655)
Total additions	2,075,096	3,598,497	2,218	7,999,832	1,690,521	15,366,164
Deductions:						
Retirement benefits paid and savings plan withdrawals	3,491,265	5,115,801	162,388	5,958,499	1,328,188	16,056,141
Forfeitures of nonvested contributions	-	502,361	-	261,402	-	763,763
Total deductions	3,491,265	5,618,162	162,388	6,219,901	1,328,188	16,819,904
Net increase (decrease)	(1,416,169)	(2,019,665)	(160,170)	1,779,931	362,333	(1,453,740)
Net assets held in trust for pension benefits:						
Beginning	35,939,480	51,061,982	160,170	56,095,234	10,867,472	154,124,338
Ending	$ 34,523,311	$ 49,042,317	$ -	$ 57,875,165	$ 11,229,805	$ 152,670,598

Note 8. Retirement and Benefit Plans (Continued)

	Defined Benefit Retirement Plan	Savings Plan 401(a)	403(b) Special	403(b)	457(b)	(Total Memorandum Only)
	Year Ended December 31, 2010					
Additions:						
Contributions:						
Members	$ -	$ -	$ -	$ 6,942,920	$ 1,845,855	$ 8,788,775
Employer	2,554,536	3,539,926	-	2,010,622	-	8,105,084
Total contributions	2,554,536	3,539,926	-	8,953,542	1,845,855	16,893,859
Investment income:						
Interest	24,840	539,143	1,348	511,149	63,188	1,139,668
Dividends	856,036	901,993	-	866,903	204,300	2,829,232
Net appreciation in fair value of investments	3,445,941	3,337,242	13,090	4,113,830	870,979	11,781,082
	4,326,817	4,778,378	14,438	5,491,882	1,138,467	15,749,982
Less:						
Investment advisory services	149,133	-	-	-	-	149,133
Custodial fees	63,689	-	-	-	2,851	66,540
Net investment income	4,113,995	4,778,378	14,438	5,491,882	1,135,616	15,534,309
Total additions	6,668,531	8,318,304	14,438	14,445,424	2,981,471	32,428,168
Deductions:						
Retirement benefits paid and savings plan withdrawals	2,909,311	4,160,323	1,031	4,426,869	523,254	12,020,788
Forfeitures of nonvested contributions	-	525,603	-	752,853	-	1,278,456
Total deductions	2,909,311	4,685,926	1,031	5,179,722	523,254	13,299,244
Net increase	3,759,220	3,632,378	13,407	9,265,702	2,458,217	19,128,924
Net assets held in trust for pension benefits:						
Beginning	32,180,260	47,429,604	146,763	46,829,532	8,409,255	134,995,414
Ending	$ 35,939,480	$ 51,061,982	$ 160,170	$ 56,095,234	$ 10,867,472	$ 154,124,338

Deferred compensation and executive benefits:

The Hospital previously provided a supplemental executive retirement plan (SERP) as well as a deferred compensation plan to certain key employees. The SERP plan was terminated during 2005. As of December 31, 2011, assets and liabilities associated with the deferred compensation plan were $692,372 and $1,436,200, respectively, the unfunded status of the plan will be paid from operations. As of December 31, 2010, assets and liabilities associated with the deferred compensation plan were $1,608,177. These amounts are included in noncurrent assets and liabilities in the accompanying basic financial statements.

Note 9. Other Postemployment Benefits (OPEB)

Plan description and funding policy:

The Hospital sponsors a postretirement medical plan that provides post-termination medical insurance coverage for the participant and the participant's spouse of health insurance through age 65, then lifetime Medicare supplement insurance. The employees eligible under this policy are key employees as designated by the Hospital's Board of Directors who terminate employment at or after age 62 with at least 10 years of service. Prior to the participants' age 65, the coverage shall be insured coverage providing a level of benefits reasonably comparable to the standard medical coverage the Hospital provides to all full-time employees. Commencing at the participant's age 65, the coverage shall be provided in the form of an insured Medicare Supplement Policy providing the level of coverage determined by the Hospital in its sole discretion.

The Hospital shall pay 50% or 100% of the premiums for the coverage under this plan for the participant and the participant's spouse depending on the ages of both of the covered individuals with a gross premium cap of $1,000 per month per individual. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal years 2011 and 2010, the Hospital contributed $27,305 and $26,350, respectively, to the plan.

Annual OPEB cost and net OPEB obligation:

The Hospital's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Hospital's annual OPEB cost for the years ended December 31, 2011 and 2010, the amount actuarially contributed to the plan, and changes in the Hospital's annual OPEB obligation:

	2011	2010
Annual required contribution	$ 160,515	$ 157,279
Interest on net OPEB obligation	39,389	32,838
Annual OPEB cost	199,904	190,117
Contributions made	(27,305)	(26,350)
Increase in net OPEB obligation	172,599	163,767
Net OPEB obligation, beginning of year	984,717	820,950
Net OPEB obligation, end of year	$ 1,157,316	$ 984,717

The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for fiscal years 2011, 2010 and 2009 is as follows:

	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal year ended December 31:			
2011	$ 199,904	13.7%	$ 1,157,316
2010	190,117	13.9	984,717
2009	301,166	4.4	820,950

Note 9. Other Postemployment Benefits (OPEB) (Continued)

Funded status and funding progress:

Postemployment benefit obligations under GASB Statement No. 45 as of December 31, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
December 31, 2010	$ -	$ 2,198,381	$ 2,198,381	$ -

Actuarial methods and assumptions:

The actuarial calculations are performed in accordance with the Projected Unit Credit Actuarial Cost Method as allowed under GASB Statement No. 45. The excess of the AAL over the actuarial value of plan assets is the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized over a maximum of 30 years in level dollar amounts on an open period amortization basis. The sum of the normal cost and the amortization of the unfunded actuarial accrued liability is the annual required contribution, which with interest at the valuation date, determines the annual OPEB cost.

Economic cost assumptions:

The rate at which projected cash flows are to be discounted is 4% based on estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits.

Actuarial calculations reflect a long-term perspective that involves estimates of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Note 10. Self-Insurance, Commitments and Contingent Liabilities

Self-insurance for health insurance:

The Hospital is self-insured for its employee health insurance plan. The self-insured claims are processed through a Plan Administrator. In 2011 and 2010, the Hospital had stop-loss insurance coverage for claims in excess of $300,000 per individual per plan year and a lifetime maximum coverage of $700,000 per individual. The following is a summary of estimated claims liability for the years ended December 31, 2011 and 2010. The Hospital has recorded a current liability for open claims and claims incurred but not reported.

	2011	2010
Balance, beginning	$ 2,069,947	$ 1,799,101
Claims expense	9,138,301	9,900,000
Claims payment	(9,564,622)	(9,629,154)
Balance, ending	$ 1,643,626	$ 2,069,947

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Self-insurance for worker's compensation insurance:

The Hospital is self-insured for worker's compensation. The self-insured claims are processed through a Plan Administrator. The Hospital has purchased stop-loss insurance coverage for claims in excess of $150,000 per occurrence. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. The following is a summary of estimated claims liability for the years ended December 31, 2011 and 2010. The Hospital has recorded a current liability for open claims and claims incurred but not reported which is included in other accrued expenses.

	2011	2010
Balance, beginning	$ 4,168,180	$ 2,696,960
Claims expense	1,416,925	3,021,093
Claims payment	(1,371,605)	(1,549,873)
Balance, ending	$ 4,213,500	$ 4,168,180

Professional liability insurance:

During 1976, the State of Louisiana enacted legislation that created a statutory limit of $500,000 plus interest, costs and future medical expenses for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The constitutionality of the statutory limit has been tested and sustained to date although additional challenges may be made in the future. The Hospital participates in the State Insurance Fund, which provides up to $400,000 coverage for settlement amounts in excess of $100,000 per claim. The Hospital is self-insured with respect to the first $100,000 of each claim and has purchased additional coverage through a claims-made policy with a commercial insurance carrier for losses on claims in excess of $500,000 for claims made on or prior to December 31, 2003 and $1,000,000 for claims made subsequent to December 31, 2003. The following is a summary of estimated claims liability for the years ended December 31, 2011 and 2010. The Hospital has recorded the liability in noncurrent liabilities.

	2011	2010
Balance, beginning	$ 2,786,142	$ 2,315,387
Claims expense and change in accrual	481,500	498,255
Claims payment	(295,000)	(27,500)
Balance, ending	$ 2,972,642	$ 2,786,142

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Other self-insurance programs:

The Hospital is self-insured for general liability and vehicle liability. The self-insured claims are processed through a Plan Administrator. The following is a summary of estimated claims liability for the years ended December 31, 2011 and 2010. The Hospital has recorded the liability in noncurrent liabilities.

	2011	2010
Balance, beginning	$ 1,166,628	$ 780,097
Claims expense and change in accrual	(306,037)	951,501
Claims payment	(3,278)	(564,970)
Balance, ending	$ 857,313	$ 1,166,628

Laws and regulations:

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Organization is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Organization's financial position.

The Organization has been named as a defendant in various legal actions arising from normal business activities in which damages in various amounts are claimed. The amount of ultimate liability, if any, with respect to such matters cannot be determined, but management believes that any such liability would not have a material effect on the Organization's financial position.

Health care reform:

As a result of recently enacted federal health care reform legislation, substantial changes are anticipated in the United States health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over approximately the next decade. This federal health care reform legislation does not affect the financial statements for the year ended December 31, 2011.

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Lease commitments:

The Organization leases property and various equipment under leases that expire at various dates through 2034.

As of December 31, 2011, the total minimum rental commitment under operating lease agreements is approximately $19,329,000 and is due as follows:

Year ending December 31:	
2012	$ 2,587,000
2013	2,516,000
2014	2,410,000
2015	2,224,000
2016	2,153,000
Thereafter	7,439,000
	$ 19,329,000

Total rent expense for the above leases for the years ended December 31, 2011 and 2010 was approximately $2,595,000 and $2,508,000, respectively.

Professional services commitments:

The Organization has agreements for the outsourcing of its information technology department, for its emergency room coverage and other miscellaneous items. These agreements expire at various times through 2020.

As of December 31, 2011, the total minimum commitment under these agreements is approximately due as follows:

Year ending December 31:	
2012	$ 24,133,000
2013	24,332,000
2014	24,893,000
2015	22,389,000
2016	18,585,000
2017 to 2020	55,821,000
	$ 170,153,000

Total expense for the above agreements for the years ended December 31, 2011 and 2010 was approximately $25,811,775 and $12,192,000, respectively.

Note 11. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2011 and 2010 was as follows:

	2011	2010
Medicare	53.9%	53.9%
Medicaid	5.9	5.6
Managed care	14.2	14.7
Other third-party payors	19.7	19.2
Patients	6.3	6.6
	100.0%	100.0%

Note 12. Other Assets

Other assets as of December 31, 2011 and 2010 consist of an investment in Associated Hospital Services, goodwill associated with the 2010 acquisition of the minority interest in PET Scan and other assets. These are summarized as follows:

	2011	2010
Associated Hospital Services (laundry service)	$ 3,138,246	$ 4,143,300
Goodwill	1,249,143	1,387,937
Other	340,000	-
	$ 4,727,389	$ 5,531,237

Note 13. Functional Expenses

The Organization provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Program	$ 218,660,127	$ 218,537,182
General and administrative	145,898,278	161,788,896
	$ 364,558,405	$ 380,326,078

Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

During the year ended December 31, 2011, the Organization adopted the following GASB statement:

GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The adoption of this Statement had no effect on the financial statements.

As of December 31, 2011, the GASB has also issued several statements not yet implemented by the Organization. The Statements which may impact the Organization are as follows:

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* issued January 2010, will be effective for the Organization beginning with its year ending December 31, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. GASB 57 amends GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the Organization beginning with its year ending December 31, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the Organization beginning with its year ending December 31, 2012. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the Organization beginning with its year ending December 31, 2012. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the Organization beginning with its year ending December 31, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (*a*) the collectibility of swap payments is considered to be probable, (*b*) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (*c*) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* issued April 2012, will be effective for the Organization beginning with its year ending December 31, 2013. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources

Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No. 66, *Technical Corrections - 2012*, issued April 2012, will be effective for the Organization beginning with its year ending December 31, 2013. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* This Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (*a*) operating lease payments that vary from a straight-line basis; (*b*) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (*c*) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively.

The Organization's management has not yet determined the effect these Statements will have on the Organization's financial statements.

Note 15. Upper Payment Limit Programs and Low Income and Needy Care Collaboration

In 2011, the Hospital received supplemental Medicaid payments, also known as Upper Payment Limit (UPL) payments, for inpatient and outpatient services through intergovernmental transfers in accordance with specific state statues subject to federal regulations and approval. Under one of the UPL agreements the hospital received supplemental payments for services provided by physicians in recognition for providing services to Medicaid patients. Under a separate UPL agreement the Hospital entered into a cooperative endeavor agreement with other health care providers for the purpose of ensuring adequate healthcare services are available for underserved, non-rural populations. During the year ended December 31, 2011, total revenues and expenses recognized by the Hospital and EJPG related to these UPL agreements was approximately $5,132,000 and $775,000, respectively and are recorded as other operating revenues and expenses in the statements of revenue, expenses and changes in net assets.

In April 2011, the Hospital and other health care providers formed a one-year collaboration to help fund a program to ensure the availability of quality healthcare services for the low income and needy population. As of December 31, 2011, the Hospital made a payment into the program of $2,500,000, of which $1,875,000 was recognized as other operating expense on the statements of revenue, expenses and changes in net assets. The remaining $625,000 is recorded in prepaid expenses on the balance sheet as of December 31, 2011.

Supplementary Information

East Jefferson General Hospital

Required Supplementary Information
Retirement Plan
December 31, 2011

Schedule of Funding Progress	**2011**	2010	2009
Actuarial valuation date	**1/1/12**	1/1/11	1/1/10
Actuarial value of assets (AVA)	**$ 34,587,098**	$ 35,969,789	$ 32,249,681
Actuarial accrued liability (AAL)	**$ 70,572,102**	$ 65,035,180	$ 59,702,876
Unfunded AAL (UAAL)	**$ 35,985,004**	$ 29,065,391	$ 27,453,195
Funded ratio	**49.0%**	55.3%	54.0%
Annual covered payroll	**$ 46,621,480**	$ 52,622,311	$ 57,757,738
UAAL as % of payroll	**77.2%**	55.2%	47.5%

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

1. The valuation date is January 1, 2012.
2. The actuarial method used is traditional unit credit.
3. The amortization method is a level dollar open method. The remaining amortization period is 30 years.
4. The assets are shown at fair value.
5. Economic assumptions are as follows: investment rate of return of 7.5% and no projected salary increases.

East Jefferson General Hospital

Required Supplementary Information
Other Postemployment Benefit Plan

Schedule of Funding Progress

Fiscal Year-End	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over-funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2011	**12/31/2010**	**$ -**	**$ 2,198,381**	**$ 2,198,381**	**- %**	**$ 6,695,229**	**33%**
2010	12/31/2010	-	2,054,548	2,054,548	-	7,325,554	28
2009	12/31/2007	-	2,495,161	2,495,161	-	7,824,967	32

Note: Fiscal year 2007 was the transition year for GASB Statement No. 45.

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of December 31, 2010. Additional information follows:

1. The cost method used to determine the ARC is the Projected Unit Credit Actuarial Cost method.
2. There are no plan assets.
3. Economic assumptions are discount rate of 4.0%.
4. The amortization method is open period, level dollar.

East Jefferson General Hospital

Combining Balance Sheets
December 31, 2011

Assets	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC
Current Assets:				
Cash and cash equivalents	$ 1,631,174	$ 1,859,464	$ 5,338,150	$ 83,615
Short-term investments	112,437,464	-	-	-
Receivables:				
Patients, net	38,066,245	814,982	2,498,389	-
Other	21,686,569	-	-	104,369
Assets limited as to use, current portion	8,173,788	-	-	-
Inventories	7,657,079	-	-	-
Prepaid expenses	3,958,535	205,195	1,014,644	-
Total current assets	193,610,854	2,879,641	8,851,183	187,984
Noncurrent Assets:				
Assets limited as to use:				
Under bond indenture	87,031,403	-	-	-
Board-designated for strategic initiatives	37,889,691	-	-	-
	124,921,094	-	-	-
Less portion required for current liabilities	8,173,788	-	-	-
	116,747,306	-	-	-
Capital assets	207,856,541	3,186,141	73,690	-
Debt issuance costs, net of accumulated amortization	4,407,896	-	-	-
Investment in equity interests and associated companies and other *	(4,222,053)	-	-	-
Deferred compensation and life insurance	1,650,651	-	-	-
Total noncurrent assets	326,440,341	3,186,141	73,690	-
	$ 520,051,195	$ 6,065,782	$ 8,924,873	$ 187,984

* EJGH carries its investment in EJPN, LLC at none as of December 31, 2011. This investment should be carried at $178,585. The effects of this investment have been properly eliminated in the balance sheet as of December 31, 2011.

EJASC, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Eliminations	Combined
$ 979,588	$ 47,253	$ 101,884	$ -	$ -	$ 10,041,128
-	-	-	-	-	112,437,464
642,712	-	-	-	-	42,022,328
-	-	-	-	(19,948,518)	1,842,420
-	-	-	-	-	8,173,788
-	-	-	-	-	7,657,079
35,710	-	-	-	-	5,214,084
1,658,010	47,253	101,884	-	(19,948,518)	187,388,291
-	-	-	-	-	87,031,403
-	-	-	-	-	37,889,691
-	-	-	-	-	124,921,094
-	-	-	-	-	8,173,788
-	-	-	-	-	116,747,306
1,618,744	-	-	-	(1,544,947)	211,190,169
-	-	-	-	-	4,407,896
-	-	-	-	8,949,442	4,727,389
-	-	-	-	-	1,650,651
1,618,744	-	-	-	7,404,495	338,723,411
$ 3,276,754	$ 47,253	$ 101,884	$ -	$ (12,544,023)	$ 526,111,702

East Jefferson General Hospital

Combining Balance Sheets
December 31, 2011

Liabilities and Net Assets	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC
Current Liabilities:				
Current maturities of long-term debt	$ 7,120,292	$ 661,576	$ -	$ -
Accounts payable	13,274,892	600,683	19,616,623	-
Accrued expenses:				
Salaries and wages	3,740,707	-	-	-
Paid leave	3,938,217	-	-	-
Health insurance claims	1,643,626	-	-	-
Interest	1,746,498	-	-	-
Estimated third-party payor settlements	2,410,775	-	-	-
Other	11,827,450	-	-	-
Total current liabilities	45,702,457	1,262,259	19,616,623	-
Noncurrent Liabilities:				
Deferred compensation and executive benefits	1,436,200	-	-	-
Retirement benefits	1,195,517	-	-	-
Estimated self-insurance reserves	4,129,955	-	-	-
Long-term debt, less current maturities	169,055,226	2,093,143	-	-
Other accrued expenses	1,900,008	-	-	-
Minority interest in equity interests	-	-	-	-
Total noncurrent liabilities	177,716,906	2,093,143	-	-
Total liabilities	223,419,363	3,355,402	19,616,623	-
Net Assets:				
Invested in capital assets, net of related debt	31,681,023	431,422	73,690	-
Restricted under bond indenture	87,031,403	-	-	-
Unrestricted *	177,919,406	2,278,958	(10,765,440)	187,984
Total net assets	296,631,832	2,710,380	(10,691,750)	187,984
	$ 520,051,195	$ 6,065,782	$ 8,924,873	$ 187,984

* EJGH carries its investment in EJPN, LLC at none as of December 31, 2011. This investment should be carried at $178,585. The effects of this investment have been properly eliminated in the balance sheet as of December 31, 2011.

EJASC, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Eliminations	Combined
$ 239,320	$ -	$ -	$ -	$ -	$ 8,021,188
84,156	-	-	2,094,355	(19,728,301)	15,942,408
-	-	-	-	-	3,740,707
-	-	-	-	-	3,938,217
-	-	-	-	-	1,643,626
-	-	-	-	-	1,746,498
-	-	-	-	-	2,410,775
243,639	-	-	-	(220,217)	11,850,872
567,115	-	-	2,094,355	(19,948,518)	49,294,291
-	-	-	-	-	1,436,200
-	-	-	-	-	1,195,517
-	-	-	-	-	4,129,955
1,186,471	-	-	-	-	172,334,840
557,973	-	-	-	(557,973)	1,900,008
-	-	-	-	555,422	555,422
1,744,444	-	-	-	(2,551)	181,551,942
2,311,559	-	-	2,094,355	(19,951,069)	230,846,233
192,953	-	-	-	(1,544,947)	30,834,141
-	-	-	-	-	87,031,403
772,242	47,253	101,884	(2,094,355)	8,951,993	177,399,925
965,195	47,253	101,884	(2,094,355)	7,407,046	295,265,469
$ 3,276,754	$ 47,253	$ 101,884	$ -	$ (12,544,023)	$ 526,111,702

East Jefferson General Hospital

Combining Balance Sheets
December 31, 2010

Assets	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC
Current Assets:				
Cash and cash equivalents	$ 3,910,277	$ 2,196,373	$ 642,464	$ 83,534
Short-term investments	49,972,612	-	-	-
Receivables:				
Patients, net	40,372,970	805,272	1,186,186	-
Other	6,395,969	-	-	292,994
Assets limited as to use, current portion	10,803,602	-	-	-
Inventories	7,569,556	-	-	-
Prepaid expenses	5,992,330	103,961	1,333,457	-
Total current assets	125,017,316	3,105,606	3,162,107	376,528
Noncurrent Assets:				
Assets limited as to use:				
Under bond indenture	30,090,486	-	-	-
Board-designated for strategic initiatives	122,334,979	-	-	-
	152,425,465	-	-	-
Less portion required for current liabilities	10,803,602	-	-	-
	141,621,863	-	-	-
Capital assets	200,157,814	3,850,083	292,838	-
Debt issuance costs, net of accumulated amortization	2,055,472	-	-	-
Investment in equity interests and associated companies and other *	9,009,437	-	-	-
Deferred compensation and life insurance	2,682,839	-	-	-
Total noncurrent assets	355,527,425	3,850,083	292,838	-
	$ 480,544,741	$ 6,955,689	$ 3,454,945	$ 376,528

* EJGH carries its investment in EJPN, LLC at none as of December 31, 2010. This investment should be carried at $190,740. The effects of this investment have been properly eliminated in the balance sheet as of December 31, 2010.

PET Scan	EJASC, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Eliminations	Combined
$ 659,544	$ 866,056	$ 47,451	$ 102,004	$ -	$ -	$ 8,507,703
-	-	-	-	-	-	49,972,612
185,173	516,053	-	-	-	-	43,065,654
-	-	-	-	-	(5,295,638)	1,393,325
-	-	-	-	-	-	10,803,602
-	-	-	-	-	-	7,569,556
28,715	32,235	-	-	-	-	7,490,698
873,432	1,414,344	47,451	102,004	-	(5,295,638)	128,803,150
-	-	-	-	-	-	30,090,486
-	-	-	-	-	-	122,334,979
-	-	-	-	-	-	152,425,465
-	-	-	-	-	-	10,803,602
-	-	-	-	-	-	141,621,863
75,220	1,845,334	-	-	-	(1,624,575)	204,596,714
-	2,000	-	-	-	-	2,057,472
-	-	-	-	-	(3,478,200)	5,531,237
-	-	-	-	-	-	2,682,839
75,220	1,847,334	-	-	-	(5,102,775)	356,490,125
$ 948,652	$ 3,261,678	$ 47,451	$ 102,004	$ -	$ (10,398,413)	$ 485,293,275

East Jefferson General Hospital

Combining Balance Sheets
December 31, 2010

Liabilities and Net Assets	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC
Current Liabilities:				
Current maturities of long-term debt	$ 8,122,094	$ 619,301	$ -	$ -
Accounts payable	13,189,487	563,998	4,378,622	-
Accrued expenses:				
Salaries and wages	4,645,819	-	-	-
Paid leave	4,353,113	-	-	-
Health insurance claims	2,069,947	-	-	-
Interest	3,018,142	-	-	-
Estimated third-party payor settlements	2,701,436	-	-	-
Other	11,819,413	-	-	175,749
Total current liabilities	49,919,451	1,183,299	4,378,622	175,749
Noncurrent Liabilities:				
Deferred compensation and executive benefits	1,608,177	-	-	-
Retirement benefits	1,062,572	-	-	-
Estimated self-insurance reserves	4,252,770	-	-	-
Long-term debt, less current maturities	124,598,312	2,754,718	-	-
Other accrued expenses	1,661,000	-	-	-
Interest rate swap agreements	3,092,918	-	-	-
Minority interest in equity interests	-	-	-	-
Total noncurrent liabilities	136,275,749	2,754,718	-	-
Total liabilities	186,195,200	3,938,017	4,378,622	175,749
Net Assets:				
Invested in capital assets, net of related debt	67,437,408	476,064	292,838	-
Restricted under bond indenture	30,090,486	-	-	-
Unrestricted *	196,821,647	2,541,608	(1,216,515)	200,779
Total net assets	294,349,541	3,017,672	(923,677)	200,779
	$ 480,544,741	$ 6,955,689	$ 3,454,945	$ 376,528

* EJGH carries its investment in EJPN, LLC at none as of December 31, 2010. This investment should be carried at $190,740. The effects of this investment have been properly eliminated in the balance sheet as of December 31, 2010.

PET Scan	EJASC, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Eliminations	Combined
$ -	$ 225,812	$ -	$ -	$ -	$ -	$ 8,967,207
88,604	101,158	-	-	684,425	(4,960,109)	14,046,185
-	-	-	-	-	-	4,645,819
-	-	-	-	-	-	4,353,113
-	-	-	-	-	-	2,069,947
-	-	-	-	-	-	3,018,142
-	-	-	-	-	-	2,701,436
-	188,320	-	-	5,480	(335,529)	11,853,433
88,604	515,290	-	-	689,905	(5,295,638)	51,655,282
-	-	-	-	-	-	1,608,177
-	-	-	-	-	-	1,062,572
-	-	-	-	-	-	4,252,770
-	1,425,587	-	-	-	-	128,778,617
-	724,811	-	-	-	(724,811)	1,661,000
-	-	-	-	-	-	3,092,918
-	-	-	-	-	375,307	375,307
-	2,150,398	-	-	-	(349,504)	140,831,361
88,604	2,665,688	-	-	689,905	(5,645,142)	192,486,643
75,220	193,935	-	-	-	(1,624,575)	66,850,890
-	-	-	-	-	-	30,090,486
784,828	402,055	47,451	102,004	(689,905)	(3,128,696)	195,865,256
860,048	595,990	47,451	102,004	(689,905)	(4,753,271)	292,806,632
$ 948,652	$ 3,261,678	$ 47,451	$ 102,004	$ -	$ (10,398,413)	$ 485,293,275

East Jefferson General Hospital

Combining Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended December 31, 2011

	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC
Operating revenue:				
Net patient service revenue	$ 303,737,048	$ 12,258,206	$ 19,664,742	$ -
Other operating revenue	12,599,354	4,095	2,303,329	-
Rental income from leases	5,462,819	71,776	-	26,208
Total operating revenue	321,799,221	12,334,077	21,968,071	26,208
Operating expenses:				
Salaries, wages and benefits	144,820,482	1,499,260	24,563,223	-
Purchased services and other	97,036,763	6,424,075	6,788,254	39,083
Supplies	49,440,663	149,337	337,465	-
Depreciation and amortization	22,962,268	663,942	47,202	-
Interest	7,314,742	204,755	-	-
Total operating expenses	321,574,918	8,941,369	31,736,144	39,083
Income (loss) from operations	224,303	3,392,708	(9,768,073)	(12,875)
Nonoperating revenue (expenses):				
Investment earnings	6,275,711	-	-	80
(Loss) on disposal of capital assets	(14,518)	-	-	-
Grant revenue	2,525,400	-	-	-
Contributions	1,420,638	-	-	-
Equity in net income (loss) of component units and associated companies	(7,271,778)	-	-	-
Change in fair value of interest rate swap agreements	669,939	-	-	-
Other	-	-	-	-
	3,605,392	-	-	80
Excess of revenue over (under) expenses before capital contribution (distribution), transfers and minority interest	3,829,695	3,392,708	(9,768,073)	(12,795)
Capital contribution (distribution)	-	(3,700,000)	-	-
Transfers to Jefferson Parish	(1,547,404)	-	-	-
Minority interest in net income of component units	-	-	-	-
Change in net assets	2,282,291	(307,292)	(9,768,073)	(12,795)
Net assets:				
Beginning	294,349,541	3,017,672	(923,677)	200,779
Ending	$ 296,631,832	$ 2,710,380	$ (10,691,750)	$ 187,984

PET Scan	EJASC, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Eliminations	Combined
$ 600,386	$ 5,755,363	$ -	$ -	$ -	$ (37,515)	$ 341,978,230
-	-	134,812	223,705	-	(481,448)	14,783,847
-	-	-	-	-	(2,377,069)	3,183,734
600,386	5,755,363	134,812	223,705	-	(2,896,032)	359,945,811
61,473	1,096,231	-	-	276,377	(11,437)	172,305,609
142,249	1,160,162	43,360	135,323	1,124,742	(2,888,230)	110,005,781
46,722	837,511	-	-	3,331	(2,043)	50,812,986
2,925	232,662	-	-	-	(79,628)	23,829,371
-	85,161	-	-	-	-	7,604,658
253,369	3,411,727	43,360	135,323	1,404,450	(2,981,338)	364,558,405
347,017	2,343,636	91,452	88,382	(1,404,450)	85,306	(4,612,594)
675	1,970	-	-	-	-	6,278,436
-	-	-	-	-	-	(14,518)
-	-	-	-	-	-	2,525,400
-	-	-	-	-	-	1,420,638
-	-	-	-	-	6,266,724	(1,005,054)
-	-	-	-	-	-	669,939
-	(37,609)	-	-	-	-	(37,609)
675	(35,639)	-	-	-	6,266,724	9,837,232
347,692	2,307,997	91,452	88,382	(1,404,450)	6,352,030	5,224,638
(1,207,740)	(1,938,792)	(91,650)	(88,502)	-	7,026,684	-
-	-	-	-	-	-	(1,547,404)
-	-	-	-	-	(1,218,397)	(1,218,397)
(860,048)	369,205	(198)	(120)	(1,404,450)	12,160,317	2,458,837
860,048	595,990	47,451	102,004	(689,905)	(4,753,271)	292,806,632
$ -	$ 965,195	$ 47,253	$ 101,884	$ (2,094,355)	$ 7,407,046	$ 295,265,469

East Jefferson General Hospital

Combining Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended December 31, 2010

	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC
Operating revenue:				
Net patient service revenue	$ 330,015,422	$ 12,154,965	$ 14,112,522	$ -
Other operating revenue	8,789,811	55,812	25,000	-
Rental income from leases	6,268,576	-	-	26,208
Total operating revenue	345,073,809	12,210,777	14,137,522	26,208
Operating expenses:				
Salaries, wages and benefits	155,048,313	-	17,237,291	-
Purchased services and other	107,095,459	8,045,368	4,788,559	13,500
Supplies	54,731,692	237,282	214,767	-
Depreciation and amortization	23,107,843	663,942	68,139	-
Interest	7,760,065	-	-	-
Total operating expenses	347,743,372	8,946,592	22,308,756	13,500
Income (loss) from operations	(2,669,563)	3,264,185	(8,171,234)	12,708
Nonoperating revenue (expenses):				
Investment earnings	4,177,010	-	3,356	80
Gain on disposal of capital assets	292,331	-	-	-
Grant revenue	956,387	-	-	-
Contributions	118,330	-	-	-
Community disaster loan forgiveness	68,338,546	-	-	-
Equity in net income (loss) of component units and associated companies	(3,122,710)	-	-	-
Change in fair value of interest rate swap agreements	(151,607)	-	-	-
Other	-	-	-	-
	70,608,287	-	3,356	80
Excess of revenue over (under) expenses before capital contribution (distribution), transfers and minority interest	67,938,724	3,264,185	(8,167,878)	12,788
Capital contribution (distribution)	-	(2,650,000)	15,466,537	-
Transfers to Jefferson Parish	(1,631,155)	-	-	-
Minority interest in net income of component units	-	-	-	-
Change in net assets	66,307,569	614,185	7,298,659	12,788
Net assets:				
Beginning	228,041,972	2,403,487	(8,222,336)	187,991
Ending	$ 294,349,541	$ 3,017,672	$ (923,677)	$ 200,779

PET Scan	EJASC, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Eliminations	Combined
$ 1,835,457	$ 6,140,482	$ -	$ -	$ -	$ -	$ 364,258,848
-	-	361,135	308,163	-	(3,606,240)	5,933,681
-	-	-	-	-	(2,237,926)	4,056,858
1,835,457	6,140,482	361,135	308,163	-	(5,844,166)	374,249,387
-	1,047,196	-	-	-	-	173,332,800
960,102	1,206,887	198,574	88,975	689,905	(4,540,489)	118,546,840
-	1,077,069	-	-	-	-	56,260,810
192,994	278,596	-	-	-	-	24,311,514
-	114,049	-	-	-	-	7,874,114
1,153,096	3,723,797	198,574	88,975	689,905	(4,540,489)	380,326,078
682,361	2,416,685	162,561	219,188	(689,905)	(1,303,677)	(6,076,691)
4,421	13,517	-	-	-	-	4,198,384
-	-	-	-	-	-	292,331
-	-	-	-	-	-	956,387
-	-	-	-	-	-	118,330
-	-	-	-	-	-	68,338,546
-	-	-	-	-	3,725,294	602,584
-	-	-	-	-	-	(151,607)
-	(27,395)	-	-	-	-	(27,395)
4,421	(13,878)	-	-	-	3,725,294	74,327,560
686,782	2,402,807	162,561	219,188	(689,905)	2,421,617	68,250,869
(1,428,250)	(3,670,000)	(185,007)	(209,238)	-	(7,324,042)	-
-	-	-	-	-	-	(1,631,155)
-	-	-	-	-	(1,555,960)	(1,555,960)
(741,468)	(1,267,193)	(22,446)	9,950	(689,905)	(6,458,385)	65,063,754
1,601,516	1,863,183	69,897	92,054	-	1,705,114	227,742,878
$ 860,048	$ 595,990	$ 47,451	$ 102,004	$ (689,905)	$ (4,753,271)	$ 292,806,632

East Jefferson General Hospital

Statements of Revenue, Expenses and Changes in Net Assets Information (Hospital Only)
Years Ended December 31, 2011 and 2010

Gross Patient Service Revenue, Summary by Department	2011 Inpatient	2011 Outpatient	2011 Total
Routine care services:			
Medical and surgical	$ 59,749,521	$ 13,109,959	$ 72,859,480
Intensive care	18,282,750	10,247	18,292,997
Coronary care	6,664,782	844	6,665,626
Psychiatric care	5,203,108	64	5,203,172
Nursery	11,524,755	-	11,524,755
Rehabilitation	3,243,666	-	3,243,666
Skilled nursing facility	6,279,820	-	6,279,820
	110,948,402	13,121,114	124,069,516
Ancillary services:			
Ambulance	4,274,203	14,652,532	18,926,735
Anesthesiology	15,924,227	12,410,303	28,334,530
Blood bank	8,644,071	2,786,509	11,430,580
Cardiology	39,878,081	62,302,626	102,180,707
Central supply	524,590	402,089	926,679
Dialysis	3,556,804	294,688	3,851,492
Electroencephalography	324,511	257,286	581,797
Emergency services	15,838,382	30,847,295	46,685,677
Endoscopy	2,602,776	4,642,153	7,244,929
Labor and delivery	8,132,582	818,785	8,951,367
Laboratory	41,827,509	42,598,752	84,426,261
Magnetic resonance imaging	3,790,794	9,208,464	12,999,258
Operating and recovery	98,459,986	73,696,557	172,156,543
Outpatient screening of wellness	-	-	-
Pharmacy and IV solution	115,923,246	85,199,218	201,122,464
Physical therapy	18,298,769	6,933,955	25,232,724
Physician network revenue	-	4,424,250	4,424,250
Radiation therapy	1,203,802	175,681	1,379,483
Radiology	40,907,848	83,143,678	124,051,526
Respiratory care	30,138,061	6,665,807	36,803,868
Wound care center	72,944	7,072,476	7,145,420
	450,323,186	448,533,104	898,856,290
	$ 561,271,588	$ 461,654,218	1,022,925,806
Less charity care			1,358,046
Gross patient service revenue			1,021,567,760
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs			697,671,627
Less provision for bad debts			20,159,085
Net patient service revenue			$ 303,737,048

2010		
Inpatient	Outpatient	Total
$ 59,629,358	$ 10,754,396	$ 70,383,754
18,961,430	2,816	18,964,246
6,709,935	804	6,710,739
5,199,168	448,567	5,647,735
10,860,333	-	10,860,333
2,977,474	-	2,977,474
6,271,487	-	6,271,487
110,609,185	11,206,583	121,815,768
4,254,251	13,497,948	17,752,199
17,036,848	13,192,879	30,229,727
9,759,026	2,715,047	12,474,073
41,462,318	62,436,779	103,899,097
544,498	334,245	878,743
4,430,824	228,735	4,659,559
317,589	251,774	569,363
14,695,229	24,624,362	39,319,591
2,707,002	5,490,796	8,197,798
8,921,296	1,084,213	10,005,509
42,788,545	42,809,894	85,598,439
3,922,537	9,018,114	12,940,651
120,709,358	80,551,785	201,261,143
-	324,039	324,039
116,614,297	73,650,698	190,264,995
15,855,307	5,175,415	21,030,722
-	4,009,642	4,009,642
866,163	133,735	999,898
43,918,782	78,749,746	122,668,528
29,265,951	5,899,215	35,165,166
35,214	5,431,076	5,466,290
478,105,035	429,610,137	907,715,172
$ 588,714,220	$ 440,816,720	1,029,530,940
		1,288,610
		1,028,242,330
		673,620,626
		24,606,282
		$ 330,015,422

East Jefferson General Hospital

Statements of Revenue, Expenses and Changes in Net Assets Information (Hospital Only)
Years Ended December 31, 2011 and 2010

Other Operating Revenue	2011	2010
Cafeteria	$ 1,911,125	$ 1,922,396
Educational fees	21,608	21,340
Special meals	1,014,594	933,727
Vending machines	389,213	416,631
LTAC services	679,687	632,647
Wellness Center membership fees	3,156,802	3,088,288
Elder Advantage fees	27,993	37,131
EMS dispatch fees	287,562	181,560
TM Pharmacy	107,540	-
Upper payment limit programs	3,645,287	-
Miscellaneous	1,357,943	1,556,091
	$ 12,599,354	$ 8,789,811

Provision for Discounts, Allowances and Estimated Contractual Adjustments under Third-Party Reimbursement Programs		
Medicare contractual adjustments	$ 447,916,655	$ 433,125,142
Medicaid contractual adjustments	54,504,512	55,884,147
Medicaid supplemental payments	-	(21,931,460)
Managed care discounts	195,250,460	206,542,797
	$ 697,671,627	$ 673,620,626

East Jefferson General Hospital

Statements of Revenue, Expenses and Changes in Net Assets Information
(Hospital Only)
Years Ended December 31, 2011 and 2010

	2011			
Departmental Expenses	**Salaries, Wages and Benefits**	**Purchased Services and Other**	**Supplies**	**Total**
Routine services:				
Medical and surgical	$ 24,746,421	$ 671,107	$ 1,484,438	$ 26,901,966
Intensive care	4,174,077	186,092	303,124	4,663,293
Coronary care	1,706,318	112,786	122,926	1,942,030
Psychiatric care	1,783,796	329,716	21,964	2,135,476
Nursery	3,233,352	71,832	127,681	3,432,865
Nursing administration	545,153	15,565	81,480	642,198
Rehabilitation	1,349,896	150,314	60,740	1,560,950
Skilled nursing facility	3,028,553	98,788	116,460	3,243,801
	40,567,566	1,636,200	2,318,813	44,522,579
Ancillary services:				
Ambulance	3,870,653	257,087	513,797	4,641,537
Anesthesiology	94,077	1,040,298	982,487	2,116,862
Blood bank	376,268	187,219	2,196,333	2,759,820
Cardiology	2,850,288	203,398	7,892,886	10,946,572
Central supply	421,434	566,480	(81,367)	906,547
Dialysis	-	767,199	7,680	774,879
Electroencephalography	49,650	824	4,475	54,949
Emergency services	5,222,450	230,403	543,749	5,996,602
Endoscopy	624,227	15,824	340,221	980,272
Labor and delivery	1,361,456	102,312	240,199	1,703,967
Laboratory	2,595,157	4,666,824	1,871,675	9,133,656
Magnetic resonance imaging	352,059	6,231	167,462	525,752
Operating and recovery	8,788,797	2,694,474	23,414,972	34,898,243
Occupational Medicine & Wellness Center	1,727,687	874,413	139,156	2,741,256
Pharmacy and IV solution	4,045,065	27,713,543	248,694	32,007,302
Physical therapy	4,586,768	317,704	89,515	4,993,987
Radiation therapy	256,398	739,257	11,514	1,007,169
Radiology	5,259,944	3,395,311	3,235,597	11,890,852
Respiratory care	4,410,313	(35,236)	699,684	5,074,761
Wound care center	134,393	1,792,533	111,458	2,038,384
	$ 47,027,084	$ 45,536,098	$ 42,630,187	$ 135,193,369

2010			
Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
$ 24,793,235	$ 488,335	$ 1,490,423	$ 26,771,993
4,366,734	137,816	340,620	4,845,170
1,741,209	16,002	102,086	1,859,297
2,008,897	281,661	29,397	2,319,955
3,210,050	107,232	138,727	3,456,009
1,304,082	14,559	35,311	1,353,952
1,345,458	139,500	71,079	1,556,037
3,214,237	22,558	118,205	3,355,000
41,983,902	1,207,663	2,325,848	45,517,413
3,471,986	73,315	429,011	3,974,312
126,519	3,425,705	1,050,131	4,602,355
757,215	291,159	2,716,529	3,764,903
2,865,719	166,006	7,189,146	10,220,871
467,961	511,383	171,363	1,150,707
-	955,309	5,964	961,273
59,769	4,024	4,464	68,257
5,115,436	554,833	622,561	6,292,830
699,255	1,042	421,971	1,122,268
1,509,495	228,295	251,899	1,989,689
3,528,885	1,985,389	2,091,182	7,605,456
380,516	6	189,993	570,515
8,669,739	2,654,448	28,173,050	39,497,237
1,873,531	923,234	113,336	2,910,101
4,720,420	27,589,478	96,828	32,406,726
4,466,187	253,765	84,097	4,804,049
100,349	694,058	20,998	815,405
5,480,678	2,819,084	3,457,078	11,756,840
4,644,662	24,562	617,892	5,287,116
130,106	1,326,907	30,970	1,487,983
$ 49,068,428	$ 44,482,002	$ 47,738,463	$ 141,288,893

(Continued)

East Jefferson General Hospital

Statements of Revenue, Expenses and Changes in Net Assets Information (Hospital Only) (Continued)
Years Ended December 31, 2011 and 2010

Departmental Expenses	2011 Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
General services:				
Dietary and cafeteria	$ 2,198,577	$ 164,576	$ 2,121,965	$ 4,485,118
Housekeeping	2,440,727	1,153,541	648,250	4,242,518
Laundry	-	840,581	479,173	1,319,754
Plant engineering and security	3,323,638	4,241,855	630,597	8,196,090
Utilities	-	3,839,615	-	3,839,615
	7,962,942	10,240,168	3,879,985	22,083,095
Fiscal and administrative services:				
Accounting	721,657	(3,612)	3,579	721,624
Administration	12,174,905	10,220,299	110,784	22,505,988
Information systems	581,413	11,906,397	82,669	12,570,479
Education	164,107	78,349	19,197	261,653
Employee benefits	24,391,825	11,689	-	24,403,514
Insurance	-	4,495,464	-	4,495,464
Medical records	1,663,138	1,545,231	12,676	3,221,045
Miscellaneous	-	3,336,722	-	3,336,722
Patient accounts	2,298,958	1,956,046	8,103	4,263,107
Personnel	2,343,942	89,401	4,618	2,437,961
Physician's network	3,085,942	966,040	47,051	4,099,033
Printing and duplication	66,527	799,867	257,738	1,124,132
Professional fees	-	1,469,498	-	1,469,498
Public relations	1,070,926	2,748,100	13,857	3,832,883
Purchasing	297,851	2,241	36,287	336,379
Telephone service	248,364	7,252	279	255,895
Volunteer services	153,335	(4,687)	14,840	163,488
	49,262,890	39,624,297	611,678	89,498,865
Total	$ 144,820,482	$ 97,036,763	$ 49,440,663	$ 291,297,908

2010			
Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
$ 2,206,228	$ 144,941	$ 2,066,159	$ 4,417,328
2,511,748	1,115,803	601,988	4,229,539
-	855,190	474,829	1,330,019
3,657,682	5,134,168	565,157	9,357,007
-	3,848,046	-	3,848,046
8,375,658	11,098,148	3,708,133	23,181,939
671,496	413	11,530	683,439
14,328,066	13,567,138	322,646	28,217,850
1,119,508	17,658,231	131,406	18,909,145
166,954	30,116	16,663	213,733
26,368,434	-	-	26,368,434
-	7,447,550	-	7,447,550
2,170,245	1,159,974	15,469	3,345,688
-	1,587,291	-	1,587,291
3,239,474	1,932,803	23,882	5,196,159
2,316,086	82,764	7,974	2,406,824
3,350,410	717,963	52,416	4,120,789
75,444	776,998	262,615	1,115,057
-	2,503,905	-	2,503,905
1,063,188	2,819,776	36,499	3,919,463
320,992	975	49,540	371,507
253,278	42,538	3,667	299,483
176,750	(20,789)	24,941	180,902
55,620,325	50,307,646	959,248	106,887,219
$ 155,048,313	$ 107,095,459	$ 54,731,692	$ 316,875,464

East Jefferson General Hospital

Hospital Statistics
Years Ended December 31, 2011 and 2010

	(Unaudited)	
	2011	2010
Total admissions	**20,418**	21,218
Inpatient admissions, excluding nursery and specialty units	**18,831**	19,634
Nursery, newborn and neonatal	**1,587**	1,584
Total patient days of service	**111,362**	113,764
Inpatients, excluding nursery and specialty units	**104,175**	106,907
Nursery, neonatal	**3,724**	3,433
Nursery, newborn	**3,463**	3,424
Special care units days of service, included in inpatient days of service above:		
Psychiatric unit	**11,195**	11,237
Rehabilitation unit	**5,535**	5,433
Skilled nursing facility unit	**14,335**	14,521
Average daily census	**305.1**	311.7
Inpatients, excluding nursery and specialty units	**285.4**	292.9
Nursery, neonatal	**10.2**	9.4
Nursery, newborn	**9.5**	9.4
Percentage of occupancy, inpatients, excluding nursery	**66.9%**	68.4%
Medicare percentage of total patient days	**65.9%**	65.6%
Average length of stay (days):		
Inpatients, excluding nursery	**5.5**	5.4
Nursery, newborn and neonatal	**4.5**	4.3
Psychiatric unit	**8.1**	8.3
Rehabilitation unit	**14.4**	18.8
Skilled nursing facility unit	**10.6**	10.2

East Jefferson General Hospital

Hospital Statistics
Years Ended December 31, 2011 and 2010

	(Unaudited)	
	2011	2010
Ambulance runs	**29,019**	26,094
Anesthesiology cases	**14,444**	14,107
Blood bank units of service	**108,615**	108,852
Cardiology:		
Cath lab procedures	**5,692**	12,676
Noninvasive procedures	**63,806**	77,378
Deliveries, newborn	**1,554**	1,580
EEG tests	**1,212**	1,367
Emergency room visits	**50,406**	49,315
Endoscopy procedures	**8,816**	10,193
Laboratory units of service	**1,411,312**	1,389,969
Surgical hours	**22,226**	24,352
Open heart operations	**235**	246
Physical therapy relative value units	**124,024**	116,386
Recovery room visits	**8,640**	9,171
Respiratory care units of service	**567,421**	583,799
Radiology:		
Diagnostic exams	**79,782**	81,804
CT scans	**30,549**	40,020
Nuclear medicine exams	**6,373**	5,984
Ultrasonic procedures	**17,494**	16,546
Special procedures	**4,546**	3,978
MRI procedures	**7,406**	7,200
Full-time equivalent employees	**2,120**	2,514

McGladrey & Pullen, LLP

Independent Auditor's Report
on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards

Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

We have audited the financial statements of East Jefferson General Hospital (Organization) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 30, 2012 and April 28, 2011, respectively. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. We did not audit East Jefferson Radiation Oncology, LLC for the year ended December 31, 2010. We did not audit East Jefferson Ambulatory Surgery Center, LLC and the pension trust fund statements of East Jefferson General Hospital for the years ended December 31, 2011 and 2010. Those financial statements were audited by other independent auditors whose report thereon has been furnished to us and, our opinion on the basic financial statements is based solely upon the reports of other independent auditors.

The financial statements of East Jefferson Ambulatory Surgery Center, LLC, PET Scan Center of East Jefferson, LLC, East Jefferson Radiation Oncology, LLC, East Jefferson Physicians Group, LLC, East Jefferson Physician Network, LLC, Gulf South Quality Network, LLC, East Jefferson General Surgery Co-Management Company, LLC, and East Jefferson Orthopedic Co-Management Company, LLC were not audited in accordance with *Government Auditing Standards.*

Internal Control over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in a separate letter dated April 30, 2012, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Organization in a separate letter dated April 30, 2012.

This report is intended solely for the information and use of management, Board of Directors and others within the Organization and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
April 30, 2012

LaPorte

A Professional Accounting Corporation

Metairie, Louisiana
April 30, 2012

McGladrey

Independent Accountant's Report

To the Board of Directors
Jefferson Parish Hospital District No. 2
East Jefferson General Hospital
Jefferson Parish, Louisiana

We have compiled the accompanying Calculation of Maximum Annual Debt Service Coverage Ratio of Jefferson Parish Hospital District No. 2 for the year ended December 31, 2011. This calculation is defined in the Official Statement, dated October 19, 2011, for the Hospital Revenue and Refunding Bonds, Series 2011.

A compilation is limited to presenting in an appropriate form information that is the representation of management. We have not audited or reviewed the accompanying Calculation of Maximum Annual Debt Service Coverage Ratio, and accordingly, do not express an opinion or any other form of assurance on it.

This report is intended solely for the information and use of the Board of Directors and management of Jefferson Parish Hospital District No. 2 and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
April 30, 2012

Jefferson Parish Hospital District No. 2
East Jefferson General Hospital

Calculation of Maximum Annual Debt Service Coverage Ratio
Year Ended December 31, 2011
See Accountant's Report

Net income available for debt service:	
Excess of revenue over expenses	$ 3,829,695
Depreciation and amortization expense	22,962,268
Interest expense	7,314,742
Change in fair value of interest rate swap agreements	(669,939)
Change in unrealized gains and losses on investments	(2,472,699)
Net income available for debt service	$ 30,964,067
Maximum annual debt service requirements (2014):	
Principal payments	$ 4,609,097
Interest payments	9,783,092
Maximum annual debt service requirements	$ 14,392,189
Maximum annual debt service coverage ratio	2.20
Required maximum annual debt service coverage ratio	1.20

The above amounts are for East Jefferson General Hospital, and exclude the financial results of the Hospital's component units as the component units are not members of the Obligated Group for the Hospital's bond indebtedness.

McGladrey

LAPORTE
CPAs & BUSINESS ADVISORS

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Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

In planning and performing our audit of the financial statements of East Jefferson General Hospital (Organization) as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following control deficiencies to be a significant deficiency:

Capital Assets

During testing of additions to capital assets, we identified differences in 6 of the 58 additions tested, which resulted in both recorded adjustments and uncorrected misstatements. One of the errors was related to invoices that were capitalized but should have been expensed, which resulted in a recorded audit adjustment of approximately $91,000. Other errors included invoices that were capitalized at the incorrect amounts, which resulted in an unrecorded projected understatement of approximately $243,000. It was also noted that there were invoices related to construction in progress and accounts payable that were not recorded on the balance sheet, which resulted in a recorded audit adjustment of approximately $455,000 and an uncorrected misstatement of approximately $341,000. Also, the capitalized interest calculation did not include the appropriate ending balance of construction in progress, which resulted in a recorded adjustment of approximately $71,000. We recommend the following:

1. Adhere to the current control of preparing a capital asset reconciliation of the subledger to and general ledger on a monthly basis and ensure an independent review is completed.
2. Implement a control whereas an independent review is completed on capital assets additions periodically to ensure that assets purchases are properly capitalized and classified.

3. Adhere to the control that capitalized interest related to construction in progress is calculated and independently reviewed on a regular basis to ensure proper recording.
4. Implement a period-end control whereas all invoices for goods and services received are entered timely, or accrued for as necessary, to ensure appropriate cut-off is achieved.

Management Response: Management will establish a process where the Director of Accounting will review capital asset additions and disposals each month to ensure:

- the sub-ledger reconciles to the general ledger;
- asset additions are properly classified and capitalized; and
- capital assets are included in the period-end accrual process to ensure appropriate cut-off is achieved.

The accountant responsible for capital assets will meet with a representative from the Facilities Department on a monthly basis to review the status of construction projects to ensure the proper timing of placing such projects in service and beginning depreciation.

Additions and deletions will be signed off by the accountant responsible for capital assets and the Director of Accounting as “approved” and all supporting documentation will be kept with asset records.

Capitalized interest will be reviewed on a quarterly basis and updated for changes to the underlying data in the calculation if they occur subsequent to the determination of the amount.

Following are descriptions of other identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

PRIOR YEAR CONTROL DEFICIENCIES

Pharmacy Billing

We understand the Hospital identified a pharmacy overbilling issue relating back to 2006 through 2010. Identification of this issue resulted in the Hospital recording a journal entry to accrue the estimated amount owed to Medicare and Medicaid. The Hospital has contracted with an independent third party to help identify the total exposure relating to this overbilling. We recommend management design and implement controls to ensure pharmacy billings in the future are proper.

Status: Resolved

Lease Receivable

East Jefferson Ambulatory Surgery Center, LLC (EJASC) currently leases space from East Jefferson General Hospital (EJGH). EJASC has properly recorded the rental expense on a straight-line method over the course of the lease. As EJASC makes the lease payments, the difference between the lease payments and the rental expense are either credited or debited to a lease payable account. Current guidance states that the lessor (EJGH) should also record the rental income on a straight-line method. However, EJGH has been recording rental income as the cash payments were scheduled to be made. As a result, EJGH had not recorded enough rental income to date for the rental lease, which resulted in the Hospital recording a journal entry to accrue the rest. We recommend EJGH set up a rental income schedule which properly matches the expense and the income for both EJASC and EJGH.

Status: Resolved

Pharmacy Inventory

We understand that the Hospital conducts physical counts of its pharmacy inventory once a year (at the end of the fiscal year). The physical count amount is then compared to what is on the general ledger and the variance between the physical count and what is on the general ledger is then adjusted. In 2007 and 2006, the Hospital made an adjustment of approximately $1,200,000 and $1,100,000, respectively, in order to reconcile the physical count of the pharmacy inventory to the general ledger. We recommend either conducting physical inventory cycle counts periodically throughout the year (perhaps quarterly) or implementing a perpetual inventory system for pharmacy, particularly because pharmacy has such large volumes and high dollar amounts of items involved.

Status: IN PROCESS. The Pharmacy Department conducts physical inventory cycle counts during the year and at year-end; however, the controls over pharmacy inventory could be enhanced with the use of a perpetual inventory system.

Management's Response: Management agrees that additional improvement is warranted and is taking the following actions. The Pharmacy will conduct quarterly physical cycle counts on all controlled substances, and inventory counts on all non-controlled substances in Automated Dispensing Cabinets at the point of re-fill. The Director will submit a written report of the results of each cycle/inventory count to his Administrative Line Officer ("ALO"). The Pharmacy Director has submitted capital budget requests for a perpetual inventory system via installation of carousel technology. The Pharmacy Director will supervise the implementation of the plan of action and its approval and provide a written report of implementation status to management until the action plan is completed.

In addition to the above, we have the following suggestions for your consideration:

Accounts Receivable, Allowance for Doubtful Accounts

The Hospital estimates its allowance for doubtful accounts by applying percentages to the patient accounts receivable balances. The patient accounts receivable balances included in the allowance calculation are generally disaggregated by payor and by aging category. The percentages applied to each payor, and to each aging category are generally only charged when management believes the economy and other factors may warrant an increase or decrease to the percentages. However, the estimated percentages are not substantiated by detail analysis of actual write-offs. We also understand that once an account balance reaches a certain aging category (e.g. 180 days), that the balance is fully reserved.

We recommend the Hospital update its allowance for doubtful accounts calculations. There are several ways this could be done, including using zero-balance reports to obtain actual historical write-off information. This is similar to the process that management went through during 2009 when some of the contractual adjustment allowance calculations were updated.

Status: Resolved

Other Industry Matters

Governmental Industry Accounting Standards

There are some recently issued and proposed accounting standards pertaining to health care providers that will affect financial reporting practices of the Organization. Management of the Organization should continue to monitor the industry guidance in these areas. The governmental accounting standards expected to have a significant impact on the Organization is as follows:

Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity – Omnibus,* will be effective for the Organization with its year ending December 31, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

The significance of this Statement to the Organization has to do with its evaluation and reporting of potential component units. There are two potential component units, East Jefferson General Hospital Foundation and East Jefferson General Hospital Auxiliary, that need to be evaluated for inclusion in the Organization's financial statements. Also, the presentation of the current component units as blended may need to be re-evaluated and some of them may be presented as discrete. The application of this Statement could have a significant impact on what is included in the Organization's statements and how those statements are presented, and as such, we recommend that the Organization consider performing its analysis of the impact of GASB Statement No. 61 prior to its effective date.

AICPA Health Care Audit and Accounting Guide

The American Institute of Certified Public Accountants (AICPA) recently made major revisions to its *Audit and Accounting Guide, Health Care Organizations,* for the first time in 15 years. The Guide has been cleared by the GASB and is considered an authoritative source of accounting guidance for all governmental health care entities.

Chapter 15 of the Guide consolidates the governmental guidance that was previously contained in each chapter of the Guide. The chapter has been updated for GASB Statement No. 62, which codifies all Financial Accounting Standards Board and AICPA guidance applicable to state and local governmental entities prior to November 1989, thus virtually eliminating the need to refer to other guidance. Chapter 15 is meant to provide only guidance incremental to health care entities, and should be read in conjunction with the AICPA *Audit and Accounting Guide, State and Local Governments.*

This communication is intended solely for the information and use of management, Audit Committee, Board of Directors and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
April 30, 2012

LaPorte

A Professional Accounting Corporation

Metairie, Louisiana
April 30, 2012

East Jefferson General Hospital

Single Audit Reporting
December 31, 2011

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Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance In Accordance with OMB Circular A-133

To the Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

Compliance

We have audited the compliance of East Jefferson General Hospital (Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. East Jefferson General Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of East Jefferson General Hospital's management. Our responsibility is to express an opinion on East Jefferson General Hospital's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Jefferson General Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of East Jefferson General Hospital's compliance with those requirements.

In our opinion, East Jefferson General Hospital complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

Internal Control over Compliance

Management of East Jefferson General Hospital is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

In planning and performing our audit, we considered East Jefferson General Hospital's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Jefferson General Hospital's internal control over compliance.

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the combined basic financial statements of East Jefferson General Hospital and related organizations as of and for the year ended December 31, 2011, and have issued our report thereon dated April 30, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the combined basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the combined basic financial statements taken as a whole.

This report is intended solely for the information and use of management, and Board of Directors, others within the entity, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, Louisiana
June 25, 2012

East Jefferson General Hospital

Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

I. Summary of Independent Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness identified?		Yes	X	No
• Significant Deficiency identified that is not considered to be a material weakness?	X	Yes		None Reported

Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:

• Material weakness identified?		Yes	X	No
• Significant Deficiency identified that is not considered to be a material weakness?		Yes	X	None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

• Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?		Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.411	ARRA- Equipment to Enhance training For Health Professionals
14.228	U. S. Department of Housing and Urban Development, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between Type A and Type B programs: $ 300,000

Auditee qualified as low-risk auditee?	X	Yes	_	No

II. Findings Related to the Basic Financial Statements:

Capital Assets

During testing of additions to capital assets, we identified differences in 6 of the 58 additions tested, which resulted in both recorded adjustments and uncorrected misstatements. One of the errors was related to invoices that were capitalized but should have been expensed, which resulted in a recorded audit adjustment of approximately $91,000. Other errors included invoices that were capitalized at the incorrect amounts, which resulted in an unrecorded projected understatement of approximately $243,000. It was also noted that there were invoices related to construction in progress and accounts payable that were not recorded on the balance sheet, which resulted in a recorded audit adjustment of approximately $455,000 and an uncorrected misstatement of approximately $341,000. Also, the capitalized interest calculation did not include the appropriate ending balance of construction in progress, which resulted in a recorded adjustment of approximately $71,000. We recommend the following:

1. Adhere to the current control of preparing a capital asset reconciliation of the subledger to and general ledger on a monthly basis and ensure an independent review is completed.

2. Implement a control whereas an independent review is completed on capital assets additions periodically to ensure that assets purchases are properly capitalized and classified.

3. Adhere to the control that capitalized interest related to construction in progress is calculated and independently reviewed on a regular basis to ensure proper recording.

4. Implement a period-end control whereas all invoices for goods and services received are entered timely, or accrued for as necessary, to ensure appropriate cut-off is achieved.

Management Response and Corrective Actions: Management will establish a process where the Director of Accounting will review capital asset additions and disposals each month to ensure:

- the sub-ledger reconciles to the general ledger;
- asset additions are properly classified and capitalized; and
- capital assets are included in the period-end accrual process to ensure appropriate cut-off is achieved.

The accountant responsible for capital assets will meet with a representative from the Facilities Department on a monthly basis to review the status of construction projects to ensure the proper timing of placing such projects in service and beginning depreciation.

Additions and deletions will be signed off by the accountant responsible for capital assets and the Director of Accounting as "approved" and all supporting documentation will be kept with asset records.

Capitalized interest will be reviewed on a quarterly basis and updated for changes to the underlying data in the calculation if they occur subsequent to the determination of the amount.

III. Findings and Questioned Costs for Federal Awards:

None

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2011

Prior Years' Findings Related to the Basic Financial Statements:

None

Prior Years' Findings and Questioned Costs for Federal Awards:

None

East Jefferson General Hospital

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	ARRA Funds	Federal Expenditures
United States Department of Health and Human Services				
Direct Awards:				
ARRA – Equipment to Enhance Training for Health Professionals	93.411	HRSA-10-240	Yes	$ 296,371
Total United States Department of Health and Human Services				296,371
United States Department of Housing and Urban Development				
Pass-Through Awards:				
Community Development Block Grant passed through the State of Louisiana and Jefferson Parish Department of Community Development	14.228	JP1009.5	No	2,226,212
Total United States Department of Housing and Urban Development				2,226,212
Total Federal Assistance Expended				$ 2,522,583

CFDA = Catalog of Federal Domestic Assistance

See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of East Jefferson General Hospital and related organizations and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.